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Application Proof of

Zhengwei Group Holdings Company Limited
正味集团控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsor, advisers or member of the underwriting syndicate that:

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

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(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

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(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

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If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Zhengwei Group Holdings Company Limited
正味集团控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	:	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	:	**HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**US$0.01 per Share**
[REDACTED]	:	**[REDACTED]**

Sole Sponsor, [REDACTED]

中毅資本有限公司
Grand Moore Capital Limited

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A copy of this document, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and on Display — Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this document, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any of the other documents referred to above.

The **[REDACTED]** is expected to be determined by agreement between the [Sole **[REDACTED]** (for itself and on behalf of the **[REDACTED]**)] and us on the **[REDACTED]**. The **[REDACTED]** is expected to be on or about **[REDACTED]** and, in any event, not later than **[REDACTED]**. The **[REDACTED]** will be not more than HK$**[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]**. Applicants for **[REDACTED]** are required to pay, on application, the maximum **[REDACTED]** of HK$**[REDACTED]** for each **[REDACTED]** together with a brokerage fee of 1%, a SFC transaction levy of 0.0027%, a FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%, subject to refund if the **[REDACTED]** should be lower than HK$**[REDACTED]**. If, for any reason, the [Sole **[REDACTED]** (for itself and on behalf of the **[REDACTED]**)] and us are unable to reach an agreement on the **[REDACTED]** on **[REDACTED]**, the **[REDACTED]** will not proceed and will lapse.

The [Sole **[REDACTED]** (on behalf of the **[REDACTED]**)] may, with the consent of our Company, reduce the indicative **[REDACTED]** stated in this document and/or the number of **[REDACTED]** being offered pursuant to the **[REDACTED]** at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, an announcement will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at [**zhengwei100.com**] not later than the morning of the day which is the last day for lodging applications under the **[REDACTED]**. Further details are set out in the sections headed "Structure and Conditions of the **[REDACTED]**" and "How to Apply for **[REDACTED]**" in this document.

The obligations of the **[REDACTED]** under the **[REDACTED]** to subscribe for, and to procure applicants for the subscription for, the **[REDACTED]**, are subject to termination by the Sole **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the day that **[REDACTED]** commences on the Stock Exchange. Such grounds are set out in the paragraph headed "**[REDACTED]**" in this document. It is important that you refer to that section for further details.

Share certificates issued in respect of the **[REDACTED]** will only become valid at 8:00 a.m. on **[REDACTED]**, provided that the **[REDACTED]** has become unconditional in all respects (including the **[REDACTED]** not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on **[REDACTED]**.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document.

The **[REDACTED]** have not been and will not be registered under the **[REDACTED]** or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the **[REDACTED]** and in accordance with any applicable U.S. state securities laws. The **[REDACTED]** are being offered, sold or delivered only outside of the United States in accordance with **[REDACTED]** under the **[REDACTED]**.

ATTENTION

We have adopted a fully electronic application process for the [REDACTED]. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the [REDACTED].

This document is available at the websites of the Stock Exchange at www.hkexnews.hk and our website at [zhengwei100.com]. If you require a printed copy of this document, you may download and print from the website addresses above.

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

This document is issued by our Company solely in connection with the **[REDACTED]** *and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the* **[REDACTED]** *offered by this document pursuant to the* **[REDACTED]**. *This document may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a* **[REDACTED]** *of the* **[REDACTED]** *or the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the offering of the* **[REDACTED]** *in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

You should rely only on the information contained in this document to make your investment decision. The Company has not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on as having been authorised by the Company, the Sole Sponsor, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, *the* **[REDACTED]**, *any of their respective directors, officers, representatives, employees, agents or professional advisers or any other person or party involved in the* **[REDACTED]**.

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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the **[REDACTED]**. *There are risks associated with any investment. Some of the particular risks in investing in the* **[REDACTED]** *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* **[REDACTED]**.

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. According to 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.

OUR BUSINESS MODEL

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. We also 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. The following table sets forth the breakdown of our revenue categorised by business models 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

OUR PRODUCTS

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. The following table sets forth the 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

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 *(Note)*	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.

OUR PRODUCTION FACILITIES

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. 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 Designed production capacity(1)	FY2019 Actual production volume	FY2019 Utilisation rate(2)	FY2020 Designed production capacity(1)	FY2020 Actual production volume	FY2020 Utilisation rate(2)	FY2021 Designed production capacity(1)	FY2021 Actual production volume	FY2021 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.

SALES AND CUSTOMERS

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. The following table sets forth the 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 *(Note)*	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.

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. 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. Please refer to the paragraph headed "Business — Customers" in this document for details.

RAW MATERIALS AND SUPPLIERS

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.

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. Please refer to the paragraph headed "Business — Suppliers" in this document for details.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- a track record of over 20 years in the agricultural food product processing industry with established brand in the PRC;
- solid customer base and long-term relationship with our major customers;
- strong devotion and commitment to standardised production and stringent quality standards and control;
- diversified product portfolio supported by innovative product development capabilities;
- stable supply of raw materials and established relationship with suppliers; and
- stable and experienced management team with a proven track record.

OUR STRATEGIES

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; and
- increase our sales through enhancement of marketing efforts and expansion of sales channels.

SUMMARY OF KEY FINANCIAL INFORMATION AND RATIOS

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our combined financial statements, including the accompanying notes, set forth in the Accountants' Report in Appendix I to this document, as well as the information set forth in the section headed "Financial Information" in this document.

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

	FY2019	FY2020	FY2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue	297,398	282,889	341,998
Cost of sales	(201,147)	(192,301)	(233,518)
Gross profit	96,251	90,588	108,480
Profit before income tax expense	48,262	47,313	57,844
Profit for the year	40,945	40,939	48,292
Profit for the year attributable to:			
Owners of the Company	40,945	40,939	48,292

For further details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Combined Statements of Profit or Loss and Other Comprehensive Income" in this document.

Selected Items of Combined Statements of Cash Flows

	FY2019	FY2020	FY2021
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	10,588	86,559	27,072
Net cash used in investing activities	(2,629)	(3,105)	(7,187)
Net cash generated from/(used in) financing activities	32,507	17,748	(34,902)
Net increase/(decrease) in cash and cash equivalents	40,466	101,202	(15,017)
Cash and cash equivalents at the beginning of the year	670	41,136	142,338
Cash and cash equivalents at the end of the year	41,136	142,338	127,321

For further details, please refer to the paragraph headed "Financial Information — Liquidity and Capital Resources — Cash flows" in this document.

Selected Items of Combined Statements of Financial Position

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Total current assets	216,713	309,780	313,404
Total current liabilities	128,210	169,730	150,100
Net current assets	88,503	140,050	163,304
Total non-current assets	48,220	46,619	51,958
Total non-current liabilities	27,614	23,537	3,626
Net assets	109,109	163,132	211,636

For further details, please refer to the paragraph headed "Financial Information — Selected Items of Combined Statements of Financial Position" in this document.

Key Financial Ratios

The following table sets forth certain key financial ratios of our Company for the periods or as at the dates indicated:

	As at/For the year ended 31 December		
	2019	2020	2021
Current ratio	1.7 times	1.8 times	2.1 times
Quick ratio	1.2 times	1.2 times	1.4 times
Gearing ratio	97.9%	73.9%	42.9%
Net debt-to-equity ratio	60.2%	N/A	N/A
Interest coverage ratio	7.4 times	7.1 times	10.4 times
Return on total assets	15.5%	11.5%	13.2%
Return on equity	37.5%	25.1%	22.8%
Net profit margin	13.8%	14.5%	14.1%

For further details, please refer to the paragraph headed "Financial Information — Key Financial Ratios" in this document.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Yang and his spouse, Ms. Lin, through Shengyao Investment and Trendy Peak, respectively, together with Nanchang Tongli LP through Prosperous Season, owned an aggregate of approximately 64.45% of the issued share capital of our Company. Immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** and the options that may be granted under the **[REDACTED]**), Mr. Yang and his spouse, Ms. Lin, through Shengyao Investment and Trendy Peak, respectively, together with Nanchang Tongli LP through Prosperous Season, will own an aggregate of approximately **[REDACTED]** of the issued share capital of our Company. Therefore, Mr. Yang, Ms. Lin, Shengyao Investment, Trendy Peak, Nanchang Tongli LP and Prosperous Season are regarded as our Controlling Shareholders under the Listing Rules.

[REDACTED]

Mr. Lei and Mr. Su invested in our Group as **[REDACTED]**. Immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** and the options that may be granted under the Share Option Scheme), Mr. Lei (through Pluto Universal) and Mr. Su (through Vantage Link) will own **[REDACTED]**% and **[REDACTED]**% of the issued share capital of our Company, and will be counted as part of the **[REDACTED]** for the purposes of Rule 8.08 of the Listing Rules. For further details of the identity and background of the **[REDACTED]** and the principal terms of the **[REDACTED]** Investment, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — **[REDACTED]** Investment" in this document.

RISK FACTORS

Our operations and the **[REDACTED]** involve certain risks and uncertainties, many of which are beyond our control. These risks are set out in the section headed "Risk Factors" in this document. Some of the major risks we face include: (i) we may not be able to maintain a stable supply of raw materials and the availability of our raw materials could be subject to weather conditions and global climate changes; (ii) we are susceptible to fluctuations in raw materials prices; (iii) if our customers fail to receive their products as scheduled, our sales and reputation may be materially and adversely affected; (iv) our efforts in developing, launching and promoting new products may not be successful; and (v) the outbreak of COVID-19 adversely affected, and may continue to affect, the demand for our products, our business operations and financial conditions. Please refer to the section headed "Risk Factors" in this document for further details.

[REDACTED]

Our **[REDACTED]** mainly include **[REDACTED]**, **[REDACTED]** and professional fees paid and payable to legal advisers and the Reporting Accountants for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. The estimated total **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the **[REDACTED]** of the indicative **[REDACTED]**, and assuming that the **[REDACTED]** is not exercised) for the **[REDACTED]** are approximately RMB**[REDACTED]** million (approximately HK$**[REDACTED]** million), representing approximately **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**, comprising of (i) fees paid and payable to legal advisers and the Reporting Accountants of approximately RMB**[REDACTED]** million (approximately HK$**[REDACTED]** million); and (ii) others fees and expenses, including **[REDACTED]**, of approximately RMB**[REDACTED]** million (approximately HK$**[REDACTED]** million). The estimated total **[REDACTED]** consist of **[REDACTED]** of approximately RMB**[REDACTED]** million (approximately HK$**[REDACTED]** million), and **[REDACTED]** of approximately RMB**[REDACTED]** million (approximately HK$**[REDACTED]** million). During the Track Record Period, we incurred **[REDACTED]** of approximately RMB**[REDACTED]** million, which have been charged to our combined statements of profit and loss and other comprehensive income. We expect to incur additional **[REDACTED]** of approximately RMB**[REDACTED]** million which are expected to be charged to our combined statements of profit and loss and other comprehensive income subsequent to the Track Record Period and approximately RMB**[REDACTED]** million will be accounted for as a deduction from equity upon the completion of the **[REDACTED]**.

[REDACTED]

The **[REDACTED]** comprises the following: (i) the **[REDACTED]** of **[REDACTED]**; and (ii) the **[REDACTED]** of **[REDACTED]**, subject to, in each case, reallocation on the basis as described in the section headed "Structure and Conditions of the **[REDACTED]**" in this document. The following table sets out certain **[REDACTED]** related data, assuming the **[REDACTED]** has been completed:

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]**
[REDACTED] of the Shares expected to be in issue following the completion of the **[REDACTED]** and the **[REDACTED]** *(Note 1)*	HK$ **[REDACTED]** million	HK$ **[REDACTED]** million
[REDACTED] per Share *(Note 2)*	RMB **[REDACTED]**/ HK$ **[REDACTED]**	RMB **[REDACTED]**/ HK$ **[REDACTED]**

Notes:

1. The calculation of the **[REDACTED]** is based on **[REDACTED]** Shares expected to be in issue following the completion of the **[REDACTED]** and the **[REDACTED]**.

2. No adjustment has been made to the **[REDACTED]** of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2021.

[REDACTED]

We estimate the **[REDACTED]** from the **[REDACTED]** which we will receive, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the **[REDACTED]** of the **[REDACTED]** stated in this document), will be approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), after deduction of **[REDACTED]** and other expenses payable by us in relation to the **[REDACTED]** and assuming the **[REDACTED]** is not exercised.

We intend to use the **[REDACTED]** of the **[REDACTED]** for the following purposes:

- approximately **[REDACTED]**%, or HK$**[REDACTED]** million (equivalent to RMB**[REDACTED]** million), will be used to build a new factory building and acquire new production lines in our Guangchang Plant by around June 2024 (subject to the progress of construction work) to increase our designed annual production capacity by approximately 1,200 tonnes of instant vegetable snack products and 2,000 tonnes of instant meat snack products;

- approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), will be used to enhance our marketing efforts and expand our sales channels; and

- approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), will be used for working capital and other general corporate purposes.

Please refer to the section headed "Future Plans and **[REDACTED]**" in this document for further details.

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, no dividends have been paid by our Company. The declaration of future dividend will be subject to the recommendation of our Board and approval of our Shareholders in general meetings or, in the case of interim dividends, subject to the approval of our Board in accordance with the Articles. The amount of any dividends to be declared by our Company in any given year in the future will depend on, among others, our Group's results of operations, available cashflows and financial conditions, operating and capital and regulations and any other factors that our Directors deem relevant. The payment of dividend may also be limited by legal restrictions and agreements that our Group may enter into in the future. Our Company does not currently have a fixed dividend policy nor any predetermined dividend payout ratio. No dividend was declared or paid by our Group to owners of our Company during the Track Record Period.

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

As at 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.

The historical non-compliances involving us during the Track Record Period included, (i) 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; and (ii) 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. Our Directors believe that such non-compliances will not have any material operational or financial impact on us. As at the Latest Practicable Date, we had either taken rectification measures for the non-compliance or obtained indemnity for any possible penalty or other monetary damages which may be incurred as a result of the non-compliance. In addition, we have implemented internal control improvement measures to manage our business and operational risks, to ensure our smooth operation and to avoid future recurrence of historical non-compliance incidents. For further details, please refer to the paragraphs headed "Business — Non-compliance" and "Business — Risk Management and Internal Control" in this document.

Save as disclosed in the paragraph headed "Business — Non-compliance", we are advised by our PRC Legal Advisers that, during the Track Record Period and as at the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material respects.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR BUSINESS

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.

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 Statement 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.

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.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on manufacturing and trading of instant snacks and dried food products and there had not been any material change to our business model, product portfolio as well as revenue and cost structure. As at the Latest Practicable Date, 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. In addition, since 1 January 2022 and up to the Latest Practicable Date, we had 43 new customers, comprising both retailers and corporate customers, with an aggregated sales order of approximately RMB1.8 million.

To expand our product portfolio, we also plan to introduce new snack food products such as quail eggs and quail meat snacks into the market. As at the Latest Practicable Date, 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. For details, please refer to the paragraph headed "Business — Business Strategies — Expansion of our production capacity and enriching our product offerings" in this document.

Our Directors confirm that since 31 December 2021 (being the end of the period reported in the Accountants' Report in Appendix I to this document), and up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position and prospects.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below

"Accountants' Report"	the accountants' report of our Group prepared by the Reporting Accountants set out in Appendix I to this document
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company adopted on [•] 2022 and which will take effect on the **[REDACTED]**, and as amended from time to time, a summary of which is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Best Talent"	Best Talent Venture Holdings Limited, a BVI business company incorporated in the BVI with limited liability on 4 March 2020, which is owned as to 57.14%, 23.81% and 19.05% by Li Hui, Wu Bangjun and Luo Zikang respectively
"Board" or "Board of Directors"	our board of Directors
"business day"	a day on which banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
"BVI"	the British Virgin Islands

"**[REDACTED]**"	the issue of **[REDACTED]** Shares made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "Statutory and General Information — 1. Further Information about our Company — (iv) Written Resolutions of our Shareholders passed on [•]" in Appendix IV to this document

[REDACTED]

[REDACTED]

"Chairman"	the chairman of the Board
"Chang Nan Financial"	Chang Nan Financial Control Limited, a BVI business company incorporated in the BVI with limited liability on 16 March 2020, which is wholly-owned by Changnan Fund
"Changnan Fund"	Nanchang County Changnan Financial Control Fund Management Co., Ltd.* (南昌縣昌南金控基金管理有限公司), a limited liability company established under the laws of the PRC on 8 June 2017 and a shareholder of Chang Nan Financial
"Cheerly Success"	Cheerly Success Investment Group Limited, a BVI business company incorporated in the BVI with limited liability on 6 March 2020, which is wholly-owned by Fuzhou Digital Economy
"close associate(s)"	has the same meaning as defined in the Listing Rules
"Companies Act" or "Cayman Companies Act"	Companies Act (as revised) of the Cayman Islands, as amended, supplemented and/or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on 3 March 2014, as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), which came into effect on 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Zhengwei Group Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability on 31 March 2020
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Mr. Yang, Ms. Lin, Shengyao Investment, Trendy Peak, Nanchang Tongli LP and Prosperous Season as further detailed in the section headed "Relationship with our Controlling Shareholders" in this document
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"COVID-19"	the coronavirus pandemic, an ongoing global pandemic of coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARSCoV- 2)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated [•] 2022 and entered into by Mr. Yang, Ms. Lin, Shengyao Investment, Trendy Peak, Nanchang Tongli LP and Prosperous Season in favour of our Company, particulars of which are set out in the paragraph headed "Statutory and General Information — 9. Other Information — D. Deed of Indemnity" in Appendix IV to this document

"Deed of Non-competition"	the deed of non-competition dated [•] 2022 entered into by Mr. Yang, Ms. Lin, Shengyao Investment, Trendy Peak, Nanchang Tongli LP and Prosperous Season in favour of our Company, in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, particulars of which are set out in the section headed "Relationship with our Controlling Shareholders" in this document
"Director(s)" or "our Director(s)"	director(s) of our Company
"EIT"	the enterprise income tax payable under the EIT Law
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which came into effect on 1 January 2008
"FRC"	the Financial Reporting Council of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	an independent market research report prepared by Frost & Sullivan for the purpose of this document
"Fuzhou Digital Economy"	Fuzhou Digital Economy Investment Group Co., Ltd.* (撫州市數字經濟投資集團有限公司), a company established under the laws of the PRC on 28 December 2015 and a shareholder of Cheerly Success
"FY2019"	the financial year ended 31 December 2019
"FY2020"	the financial year ended 31 December 2020
"FY2021"	the financial year ended 31 December 2021
"FY2022"	the financial year ending 31 December 2022
"Grand Moore Capital" or "Sole Sponsor"	Grand Moore Capital Limited, a licensed corporation under the SFO permitted to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

[REDACTED]

"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries
"Guangchang Plant"	our production plant located in Guangchang, Jiangxi Province, the PRC
"Guangchang Zhenglian"	Guangchang Zhenglian Biotech Co., Ltd* (廣昌縣正蓮生物科技有限公司), a company established under the laws of the PRC on 18 September 2017 and an indirect wholly-owned subsidiary of our Company
"HK$" or "HK dollars" or "HKD" or "cents"	Hong Kong dollars and cents, the lawful currency for the time being of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[REDACTED]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

"Independent Third Party(ies)"	persons or companies which are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executives and substantial shareholders (within the meaning of the Listing Rules) of our Company, any of our subsidiaries or any of their respective associates, and an "Independent Third Party" means any of them

"Jiangxi Zhengwei"	Jiangxi Zhengwei Food Co., Ltd* (江西正味食品有限公司), a company established under the laws of the PRC on 4 January 2002 and an indirect wholly-owned subsidiary of our Company
"kg"	kilogramme
"Latest Practicable Date"	21 June 2022, being the latest practicable date for the inclusion of information in this document prior to the printing of this document
"**[REDACTED]**"	**[REDACTED]** of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"**[REDACTED]**"	the date on which **[REDACTED]** of the Shares on the Main Board first commence, which is expected to be on **[REDACTED]**
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Mass Jovial"	Mass Jovial Group Limited, a BVI business company incorporated in the BVI with limited liability on 16 March 2020, which is owned as to 40%, 40% and 20% by Zhao Wenjun, Zheng Yongrong and Lan Hui, respectively
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on [•] and which will take effect on the **[REDACTED]**, and as amended from time to time, a summary of which is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this document

"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation, as appropriate to the context
"Mr. Lei"	Mr. Lei Jun Feng (雷峻峰), one of our **[REDACTED]**
"Mr. Su"	Mr. Xinlin Su (蘇鑫林), one of our **[REDACTED]**
"Mr. Yang"	Mr. Yang Shengyao (楊聲耀), our Chairman, executive Director and one of our Controlling Shareholders
"Ms. Lin"	Ms. Lin Qiuyun (林秋雲), our executive Director, the spouse of Mr. Yang and one of our Controlling Shareholders
"Nanchang Kaixing"	Nanchang Kaixing Industrial Co., Ltd* (南昌市凱興實業有限公司), a company established under the laws of the PRC on 28 November 2005 and an indirect wholly-owned subsidiary of our Company
"Nanchang Plant"	our production plant located in Nanchang, Jiangxi Province, the PRC
"Nanchang Tongli LP"	Nanchang Tongli Enterprise Management Center (Limited Partnership)* (南昌市同利企業管理中心(有限合夥)), a limited partnership established under the laws of the PRC on 20 May 2016 and one of our Controlling Shareholders
"NEEQ"	the National Equities Exchange and Quotations Co., Ltd., a PRC over-the-counter system for trading the shares of public companies
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

DEFINITIONS

"**[REDACTED]**"	the final price per **[REDACTED]** in Hong Kong dollars of not more than HK$**[REDACTED]** and expected to be not less than HK$**[REDACTED]** (exclusive of brokerage of 1%, the SFC transaction levy of 0.0027%, the Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%) under the **[REDACTED]**, which is expected to be determined as further described in the paragraph headed "Structure and Conditions of the **[REDACTED]** — Pricing of the **[REDACTED]**" in this document
"**[REDACTED]**"	the **[REDACTED]** and the **[REDACTED]**, together with, where relevant, any additional Shares issued pursuant to the exercise of the **[REDACTED]**

[REDACTED]

[REDACTED]

"Pluto Universal"	Pluto Universal Holdings Limited, a BVI business company incorporated in the BVI with limited liability on 6 March 2020, which is wholly-owned by Mr. Lei
"PRC" or "China"	The People's Republic of China which, for the purpose of this document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Government", "PRC government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"PRC Legal Advisers"	Allbright Law Offices (Fuzhou), the legal advisers to our Company as to the PRC laws
"**[REDACTED]** Investment"	the investments in our Company undertaken by our **[REDACTED]** before the **[REDACTED]**, details of which are set out in the section headed "History, Reorganisation and Corporate Structure" in this document
"**[REDACTED]**"	Mr. Lei and Mr. Su, and each a "**[REDACTED]**"

[REDACTED]

"Prosperous Season"	Prosperous Season Group Limited, a BVI business company incorporated in the BVI with limited liability on 6 March 2020, which is wholly-owned by Nanchang Tongli LP and one of our Controlling Shareholders

[REDACTED]

"Reorganisation"	the reorganisation arrangements undergone by our Group in preparation for the **[REDACTED]**, which is more particularly described in the section headed "History, Reorganisation and Corporate Structure" in this document
"Reporting Accountants"	BDO Limited, the reporting accountants of our Company
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the paragraph headed "Statutory and General Information — 5. Share Repurchase Mandate" in Appendix IV to this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)

"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) of our Company with a nominal or par value of US$0.01 each
"**[REDACTED]**"	the **[REDACTED]** and the **[REDACTED]**
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on [•] 2022, a summary of the principal terms of which is set forth in the paragraph headed "Statutory and General Information — 8. Share Option Scheme" in Appendix IV to this document
"Shareholder(s)"	holder(s) of the Shares
"Shengyao Investment"	Shengyao Investment Group Limited, a BVI business company incorporated in the BVI with limited liability on 4 March 2020, which is wholly-owned by Mr. Yang, and one of our Controlling Shareholders

[REDACTED]

"sq.m."	square metre

[REDACTED]

"State Council"	State Council of the PRC (中華人民共和國國務院)

[REDACTED]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers of Hong Kong
"Track Record Period"	FY2019, FY2020 and FY2021
"Trendy Peak"	Trendy Peak International Limited, a BVI business company incorporated in the BVI with limited liability on 4 March 2020, which is wholly-owned by Ms. Lin, and one of our Controlling Shareholders

[REDACTED]

"United States"	the United States of America
"US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Vantage Link"	Vantage Link Investments Limited, a BVI business company incorporated in the BVI with limited liability on 20 February 2014 which is wholly-owned by Mr. Su
"VAT"	value-added tax

[REDACTED]

"Zhengwei Group"	Zhengwei Group Limited, a company incorporated in Hong Kong with limited liability on 12 May 2020 which is an indirect wholly-owned subsidiary of our Company
"Zhengwei International"	Zhengwei International Limited, a BVI business company incorporated in the BVI with limited liability on 21 April 2020 which is a direct wholly-owned subsidiary of our Company
"%"	per cent

The English names of the companies or entities established in the PRC and the PRC laws and regulations mentioned in this document are translations from their Chinese names. If there is any inconsistency, the Chinese names shall prevail. The English translations of the Chinese names are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"CAGR"	compound annual growth rate
"dried food" or "dried food product(s)"	dried food products which, for the purpose of this document, include dried delicacies, dried aquatic products, grains as well as seasonings and other products
"HACCP"	Hazard Analysis and Critical Control Points, a food safety and quality management system
"instant meat snack(s)" or "meat snack(s)" or "instant meat snack(s) product(s)" or "meat snack(s) product(s)"	instant meat snack products mainly made of meat and eggs
"instant snack(s)" or "instant snack(s) product(s)" or "snack(s)" or "snack(s) product(s)"	convenience food products generally consumed and eaten between meals
"instant vegetable snack(s)" or "vegetable snack(s)" or "instant vegetable snack(s) product(s)" or "vegetable snack(s) product(s)"	instant vegetable snack products mainly made of vegetables and nuts
"ISO"	the International Organisation for Standardisation
"ISO9001"	a set of standards maintained by ISO relating to quality management system
"Own-branded product(s)"	dried food products and instant snack products manufactured by our Group and sold under our "Shengyao (聲耀)" brand or "Gangweifang (贛味坊)" brand
"Tier-1 cities"	Beijing, Shanghai, Guangzhou, Shenzhen

"Tier-2 cities"	Includes 32 major cities, including Tianjin, Chongqing, Shijiazhuang, Taiyuan, Shenyang, Changchun, Harbin, Nanjing, Hangzhou, Hefei, Fuzhou, Nanchang, Jinan, Zhengzhou, Wuhan, Changsha, Haikou, Chengdu, Guiyang, Kunming, Xi'an, Lanzhou, Xining, Hohhot, Urumchi, Lhasa, Yinchuan, Nanning, Xiamen, Dalian, Qingdao, Ningbo
"Tier-3 and lower-tier cities"	Cities other than the abovementioned Tier-1 cities and Tier-2 cities
"Trading product(s)"	dried food products and instant snack products sourced by our Group from suppliers in bulk and sold to customers without further processing

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "estimate", "predict", "aim", "intend", "will", "may", "plan", "consider", "anticipate", "seek", "should", "could", "would", "continue", or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our operations and business prospects;
- future development, trends and conditions in the industry and markets in which we operate;
- our strategies, plans and objectives and our ability to successfully implement these strategies, plans and objectives;
- our ability to control or reduce costs;
- general economic, market and business conditions in the PRC;
- changes in the regulatory and operating conditions in the industry and markets in which we operate;
- the amount and nature of, and potential for, future development of our business;
- the competitive environment of the industry and markets in which we operate;

- the actions and developments of our suppliers, customers and competitors;
- development and effect of the COVID-19 pandemic;
- capital market developments in Hong Kong, the PRC and overseas;
- our dividend policy;
- our prospective financial information and certain statements in the section headed "Financial Information" in this document with respect to trends in prices, operations, margins, overall market trends and risk management; and
- the other risk factors discussed in this document as well as other statements in this document that are not historical facts.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of our Directors are made as of the date of this document. Any such information may change in light of future developments.

Potential investors should consider carefully all of the information set out in this document and, in particular, should evaluate the following risks associated with an investment in the **[REDACTED]**. *You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or the trading price of the* **[REDACTED]**, *and could cause you to lose all or part of your investment.*

RISKS RELATING TO OUR BUSINESS

We may not be able to maintain a stable supply of raw materials and the availability of our raw materials could be subject to weather conditions and global climate changes.

Our business is dependent on maintaining a stable supply of raw materials. We source unprocessed raw materials such as fungi, grains, algae, dried aquatic products, chicken feet and duck necks from a number of suppliers, including farmers, agricultural cooperatives and corporate suppliers. During the Track Record Period, aggregate total purchases from our five largest suppliers accounted for approximately 28.9%, 34.8% and 39.9%, respectively, of our total purchase in FY2019, FY2020 and FY2021. Purchases from our largest supplier accounted for approximately 6.9%, 10.4% and 13.3%, respectively, of our total purchases in such years. If we are unable to maintain our relationship with any of our major suppliers or if any of them otherwise ceases to supply raw materials to us on the same or similar terms, or at all, such changes may impair our ability to meet our customer orders, which could have a material adverse effect on our business, results of operations and financial condition. Any shortage in raw materials or fluctuations in market prices could negatively affect our purchase price from suppliers. Risks such as social and political unrest, economic volatility and climate conditions in the regions where we source our raw materials could also negatively and materially affect our purchase price. If we are unable to obtain stable supply for our raw materials due to any of the above factors, our results of operations, profit margins and profitability could be adversely affected. In addition, replacing a supplier may require that we divert attention and resources away from our business. If we are unable to identify suitable replacement suppliers in a timely manner, or at all, our business and results of operations could be materially and adversely affected.

In addition, the harvesting and cultivation of agricultural products such as fungi, grains as well as aquatic products and algae are subject to natural conditions which are beyond our control. In the event of unfavourable weather conditions, the quantity or quality of raw materials available to us could be affected. For instance, any large scale flooding or other kind of natural disaster may significantly reduce the supply and increase the price of our raw materials in the market, which in turn affect our gross margin. In addition, global climate change and ocean acidification may also affect the supply of our raw materials. If we are unable to secure sufficient supplies of raw materials, our business, results of operations and financial position could be materially and adversely affected.

We are susceptible to fluctuations in raw materials prices.

Our competitiveness, costs and profitability depend, in part, on our ability to source and maintain a stable and sufficient supply of raw materials at acceptable prices. Our major raw materials include fungi, grains, dried aquatic products, algae, chicken feet and duck necks and packaging materials. We procure all of our raw materials in the PRC. For FY2019, FY2020 and FY2021, our direct material 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. If we are unable to obtain raw materials in the quantities and quality that we require, our volume and/or quality of production will decline, which in turn may have a material adverse effect on our results of operations.

Our raw materials are subject to price volatility caused by external factors beyond our control, such as climatic and environmental conditions, and commodity price fluctuations. An increase in the prices of our raw materials or any inability to secure alternative suppliers may increase our cost of sales and have a material adverse impact on our profit margins and hence our profitability. Our total costs of raw materials are expected to continue increase in the foreseeable future, consistent with the general trend of rising commodity prices in the PRC. Fluctuations in our raw material prices may result in unexpected increases in production costs, and if we are unable to manage these costs or to pass on any such increase to our customers, our profitability will decrease. Hence, any significant increase in the price of our raw materials may materially and adversely affect our business, results of operations and financial position.

If our customers fail to receive their products as scheduled, our sales and reputation may be materially and adversely affected.

If our customers fail to receive their products as scheduled, they may cease placing orders with us and our sales and reputation may be materially and adversely affected.

We appoint third-party logistics service providers for transportation and delivery of some of our products and we bear the costs of such product delivery. The services provided by these logistics service providers could be interrupted and the delivery of our products to our customers may be delayed. Delivery disruptions may occur for various reasons beyond our control, including transportation bottlenecks, adverse weather conditions, natural disasters, social unrest and labour strikes, which could result in delayed or lost deliveries. If our customers fail to receive their products as scheduled, they may cease placing orders with us and our sales and reputation may be materially and adversely affected. Poor handling by logistics service providers could also damage our products.

In addition, our suppliers may experience interruptions or delays in the delivery of the processed products and raw materials to us due to factors outside of our control, which could materially and adversely affect our business. Any delayed or missing deliveries or improper handling of our products by the logistics service providers may result in loss of revenue, payments of compensation to our customers and damage to our reputation, and may materially and adversely affect our business, results of operations and financial position.

Moreover, the storage and transportation costs of our logistics service providers are subject to factors beyond our control, such as the fluctuation in the gasoline price, increases in road tolls and bridge tolls, and changes in transportation regulations. Any increase in the service costs of our logistics service providers may lead to an increase to our transportation expenses, which may in turn negatively affect our results of operations.

Our efforts in developing, launching and promoting new products may not be successful.

The agricultural food product processing and snack food industry in the PRC are highly competitive and consumers are tempted to switch their choices when new products, marketing campaigns or pricing campaigns are launched. In light of the highly competitive and volatile environment, our future growth depends on our ability to continuously introduce new products to meet such changing demands. We cannot assure you that our new products, flavours or packaging will gain market acceptance or suit the particular tastes or requirements of the consumers. We may not be able to introduce new products that are acceptable to our consumers or capable of generating sufficient profit margins to recover our costs. In addition, we may fail to adjust our production of unsuccessful products without incurring significant costs. To the extent that we are unable to introduce new products, improve our portfolio of products and satisfy consumers' changing preferences, our market share and financial performance may be materially and adversely affected.

The outbreak of COVID-19 adversely affected, and may continue to affect, the demand for our products, our business operations and financial conditions.

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 China, including schools and businesses closures, transport suspension and city lockdowns. Consumer demand was negatively affected by the outbreak and the government's relevant control measures.

The COVID-19 outbreak has affected our business operations in various 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. 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. Whilst the COVID-19 outbreak has been largely under control in China, the extent to which COVID-19 will impact our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the scope and duration of restricted measures to contain COVID-19 or treat its impact, evolvement of variants of the virus and effectiveness of the vaccines, among others. 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. If the COVID-19 situation in China deteriorates, it may affect the sales of our products and the supply of raw materials and production equipment. We cannot assure you that the outbreak will not persist, or that there will not be similar events in the future. If the COVID-19 outbreak continues, our business, results of operations and financial condition will continue to be adversely affected. Please refer to the paragraph headed "Business — Effects of the COVID-19 Outbreak" in this document for details.

Our business depends significantly on the strength of our brands and reputation. If we fail to maintain and enhance our brands and reputation, consumers' recognition of and trust in us and our products, our business operations and financial conditions may be materially and adversely affected.

We rely heavily on the strength of our "Shengyao (聲耀)" and "Gangweifang (贛味坊)" brands and reputation when selling and marketing our products. Our brand and reputation could be harmed by product defects, ineffective customer services, product liability claims, consumer complaints, negative publicity or media reports.

Negative publicity or media reports regarding other food providers in China could also negatively affect the agricultural food product processing and snack food industry as a whole and our business, even if our products do not otherwise suffer from such issues. Such adverse publicity could negatively affect our sales, increase the PRC Government's supervision of our industry and have a material adverse effect on our business, results of operations and financial condition.

Any negative claim against us, even if meritless or unsuccessful, could divert our management's attention and other resources from our other business concerns, which may materially and adversely affect our business and results of operations. During the Track Record Period, our products had been the subject of news reports and allegations had been made against us in relation to product quality and safety. Negative media coverage regarding the safety, quality or nutritional value of our products, and the resulting negative publicity, could materially and adversely affect the level of consumer recognition of, and trust in, us and our products. In addition, adverse publicity about any regulatory or legal action against us could damage our reputation and brand image, undermine our customers' confidence in us and reduce demand in our products, even if the regulatory or legal action is unfounded.

Additionally, we may be subject to risks affecting participants in the agricultural food product processing and snack food industry generally, such as environmental pollution and food contamination, spoilage or contamination of raw materials, presence of excessive chemical additives, consumer product liability claims, product tampering, product labelling errors, inadequate enforcement of food-safety regulations and inspection procedures and potential cost and disruption of product recalls. While these events may not have any direct connection to us, they may negatively influence consumer perception and demand for our products, even if they do not involve our products or operations, which could materially and adversely affect our results of operations.

Any failure to maintain an effective quality control system or to adhere to our quality standards could have a material adverse effect on our business, financial condition and operating results, as well as our brand and reputation.

We focus on food safety and quality consistency of our products as they are essential to the success of our business. The quality consistency of our products is dependent on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the quality control system, the effectiveness of our quality control training and our ability to ensure that our employees adhere to our quality control policies and guidelines. For further details of our quality control system, please refer to the paragraph headed "Business — Quality Control and Food Safety" in this document.

Any failure of our quality control system or non-adherence to the measures under such quality control system could result in the production of defective or substandard products, which may, in turn, damage our reputation, result in delivery delays, product returns or require us to replace defective or substandard products, which may materially and adversely affect our business, financial condition and operating results. In addition, we may be subject to product liability claim and may be held liable to pay compensation and damages to any end consumers affected by our products. In case any such claims materialise, our corporate image and reputation may suffer, which may result in our customers losing faith and confidence in our products.

If our relationships with our major customers deteriorate, our ability to sell our products may be materially and adversely affected.

Our customers are primarily retailers such as supermarkets and grocery stores, corporate customers and other individual customers. For FY2019, FY2020 and FY2021, sales to our five largest customers amounted to approximately RMB233.8 million, RMB242.7 million and RMB279.6 million, respectively, representing approximately 78.6%, 85.8% and 81.8% of our total revenue during the corresponding years; whilst sales to the largest customer amounted to approximately RMB115.8 million, RMB121.5 million and RMB149.3 million, respectively, representing approximately 38.9%, 42.9% and 43.7% of our total revenue during the corresponding years.

For details of our five largest customers, please refer to the paragraph headed "Business — Customers" in this document. We did not enter into long-term framework sales agreement with our customers, therefore our customers may cease purchasing products from us at any time. Any disruption in the relationships with our customers could affect our ability to effectively sell our products and would materially and adversely affect our business, results of operations and financial position.

In addition, our customers, including supermarkets and other retailers, may not be able to sell our products successfully or maintain their competitiveness as a result of various factors. If the sales volume of our products to the end consumers are reduced, our customers may cease placing orders for new products with us, reduce their order volume or demand lower prices. Any loss of our customers or reduction in customer orders could materially and adversely affect our revenue.

Furthermore, we rely on large-scale customers, such as supermarkets, to sell a significant portion of our products. If we do not successfully provide appropriate marketing, product packaging, pricing and other services to these customers, our product availability and sales could suffer. The loss of sales of any of our products to a major customer could have a material adverse effect on our business, results of operations and financial position.

We sell our products to the end consumers over concessionary counters in supermarkets, and we may not be able to renew or continue concessionary counter arrangements with supermarkets.

We sell our products to the end consumers over concessionary counters in supermarkets in China. For FY2019, FY2020 and FY2021, we generated revenue of approximately RMB29.2 million, RMB38.7 million and RMB50.6 million, respectively, from our sales over concessionary counters, representing approximately 9.8%, 13.7% and 14.8% of our total revenue for the corresponding years, respectively. Supermarkets may charge us concession or promotion fees for operation of concessionary counters or may assign us to a less desirable area of the supermarkets when we seek to renew or negotiate our concessionary counter arrangements with them.

We cannot guarantee that we will be able to renew or continue concessionary counter arrangements with supermarkets on the same terms or on terms that are more favorable to us, in a timely manner or at all, or that certain of our concessionary counter arrangements with supermarkets will not be terminated. If any of these situations happens, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may experience delays or defaults in receiving our trade receivables and a failure to receive such payment on time and in full may affect our liquidity position.

Our trade receivables consist primarily of receivables from our customers. Trade receivables amounted to approximately RMB74.3 million, RMB52.4 million and RMB63.2 million as at 31 December 2019, 2020 and 2021, respectively. The decrease in trade receivables from approximately RMB74.3 million as at 31 December 2019 to approximately RMB52.4 million as at 31 December 2020 was generally in line with the decrease in our revenue during the corresponding years. The trade receivables increased from approximately RMB52.4 million as at 31 December 2020 to approximately RMB63.2 million as at 31 December 2021 was generally in line with the increase in our revenue during the corresponding years. We generally grant credit terms of between 30 days to 90 days to our customers. For FY2019, FY2020 and FY2021, the impairment provision were RMB1.8 million, RMB1.2 million and RMB0.3 million, respectively, accounting for approximately 2.4%, 2.3% and 0.5% of our trade receivables as at 31 December 2019, 31 December 2020 and 31 December 2021, respectively.

If a customer delays payment, our cash flow and working capital may be materially and adversely affected. Even where we are able to recover any losses incurred pursuant to the terms of the contract, the process of such recovery is usually time consuming and requires financial and other resources to settle the disputes. Furthermore, there can be no assurance that any outcome will be in our favour or that any dispute will be resolved in a timely manner. Failure to secure adequate payments in time or to effectively manage past due debts could have a material and adverse effect on our business, financial position, results of operations and prospects. During the Track Record Period, we have not encountered any material delay in payment by our customers.

However, there can be no assurance that such payment will be made on time by our customers in the future. Any failure by our customers to make payment to us on a timely manner may have a material and adverse effect on our future liquidity position.

We may be unable to effectively manage our future growth and expansion.

Our future growth may result from expanding our packaging capacity, introducing new products, expanding our sales and promotion team and entering new markets or new sales channels. Our ability to achieve growth or materialise our expansion plan will require us to meet a number of challenges, including:

- competing with existing companies in our markets;
- sourcing additional suppliers of raw materials that satisfy our quality requirements;
- managing our various suppliers;
- expanding our sales and marketing team;
- enhancing our product development capabilities;
- controlling our costs and maintaining sufficient liquidity;
- prioritising our financial and management controls in an efficient and effective manner;
- exercising effective quality control;
- maintaining our high food-safety standards;
- strengthening our existing relationships with our customers; and
- market acceptance of our products.

We face increased risks when we enter new geographic markets in China or develop new sales channels, as our experience in these new markets and with new sales channels may be limited. New markets and sales channels may have different regulatory requirements, competitive conditions, consumer preferences and consumer discretionary spending patterns from our existing markets and sales channels. Consumers in new markets and sales channels are likely to be unfamiliar with our brand and products and we may need to build or increase brand awareness in the relevant markets and sales channels by having more advertising and promotional activities than we originally planned. As a result, the investment cost of introducing products in new markets may be higher and may take longer to reach expected sales and profit levels than in our existing markets, which could affect the viabilities of these new operations or our overall profitability.

Inevitably, our expansion plans and business growth could strain our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, procedures and controls will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may materially and adversely affect our growth prospects. In addition, our expansion plan may be subject to China's environmental protection laws and regulations. These laws and regulations may require us to adopt effective measures to control and properly dispose of waste materials, waste water and other environmental waste materials. Fines may be levied against us if we cause pollution in excess of permitted levels. If our failure to comply with such laws or regulations (especially in the locality of the new markets that we may be less familiar with) results in environmental pollution, the administrative department for environmental protection can levy fines. If the circumstances of the breach are serious, the PRC Government may suspend or close any operation on us failing to comply with such laws or regulations.

We may incur fixed costs in connection with our business plan and may not be able to obtain additional capital to pursue our long-term business plan.

We will require additional working capital to support our long-term business plan. For example, we intend to acquire new production lines for our instant vegetable snacks and instant meat snacks. Please refer to the paragraph headed "Business — Business Strategies — Expansion of our production capacity and enriching our product offerings" in this document for further details.

The construction of new factory building in our Guangchang Plant and the purchase of new production lines will incur a significant amount of fixed costs and our investment may not be paid back in a timely manner or at all. Our working capital requirements and the cash flow provided by future operating activities, if any, will vary greatly from period to period. We may not be able to obtain adequate levels of additional financing, whether through equity financing, debt financing or other sources. Additional financings could result in significant dilution to our earnings per share or the issuance of securities with rights superior to our current outstanding securities. If we are unable to raise additional financing, we may be unable to implement our long-term business plan, develop or enhance our products and services, take advantage of future opportunities or maintain our competitive advantages on a timely basis, if at all. In addition, a lack of additional financing could force us to substantially curtail our business plan.

Demand for our products is subject to changes in consumer taste, preferences, perceptions and spending patterns.

Demand for our products depends substantially on consumer spending pattern, which is affected by factors such as consumer preferences and tastes, our consumers' disposable income, consumer perceptions of our product safety and quality and general food safety issues. A decline in the demand for our products could occur as a result of a change in any of the factors described above at any time, and our future success will depend partly on our ability to anticipate, identify or adapt to such changes and to timely develop and execute advertising and promotion strategies.

Although we dedicate resources to gather market and collect feedback on our products and packaging from our retailer customers such as supermarkets and end consumers in order to upgrade our existing products and to develop, design and launch new products in accordance with consumer preferences, we cannot assure you that our product portfolio will continuously lead or capture the market trends. Any changes in consumer preferences and tastes, or any of our failure to anticipate, identify or adapt to market trends, may impose downward pressure on sales and pricing of our products or lead to increases in selling and distribution expenses, and therefore materially and adversely affect our business and results of operations. While we have in the past successfully developed, promoted and achieved market acceptance of our products, we cannot assure you that we will be able to adapt our product portfolio to changes in seasons, market trends or shifts in consumer preferences and tastes. We may not be able to introduce new products that are in faster growing and more profitable categories or reduce our provision of products in categories experiencing sales declines. Additionally, trends and shifts in consumer preferences and tastes may apply downward pressure on sales and pricing or lead to increased levels of selling and promotional expenses. Any of these factors could have a material adverse impact on our financial condition and results of operations.

Our operations may be interrupted due to mechanical failures, utility shortages or stoppages, fire, acts of God or other calamities at or near our production facilities.

Our storage facilities and production facilities rely on the continued function of equipment, personnel, electricity and other utilities. Any significant downtime associated with the maintenance and repair of machinery and equipment used in our processing facilities will result in temporary interruption of our production. Although we have in-house electrician and mechanic who are responsible for routine inspection and maintenance of our machinery and equipment, the failure of equipment manufacturers or our employees to conduct timely repairs on our machinery and equipment could interrupt the operation of our production facilities for extended periods of time. Any extended downtime could result in a loss of sales.

Furthermore, our operations depend on a continuous and adequate supply of electricity. If there are any shortage of electricity, the PRC authorities may require our production facilities to be shut down periodically. Any disruption in the supply of electricity at our production facilities would disrupt our packaging and storage, and could cause deterioration or loss of our products. This could materially and adversely affect our ability to fulfil our sales orders and consequently may have a material adverse effect on our business and operations.

In addition, our production facilities and operations are subject to various risks. Fire, earthquakes, natural disasters, pandemic or extreme weather, including droughts, floods, excessive cold or heat, typhoon or other storms, causing power outages, damage to our production facilities or disruption of transportation channels, among other events, could significantly interfere with our operations. Any failure to take adequate steps to mitigate the potential impact of unforeseeable events or to effectively respond to such events could materially and adversely affect our business, financial condition and results of operations.

We may face the risk of inventory obsolescence.

As at 31 December 2019, 2020 and 2021, we had inventories of approximately RMB62.4 million, RMB98.2 million and RMB106.5 million, respectively. Our inventory turnover days for FY2019, FY2020 and FY2021 were 120.3 days, 152.5 days and 160.0 days, respectively. Please refer to the paragraph headed "Financial Information — Selected Items of Combined Statements of Financial Position — Inventories" in this document for details. Our business relies on consumer demand for our products, which depends substantially on factors such as consumer preferences and tastes, our consumers' disposable income, consumer perceptions of our product safety and quality and general food safety issues. Any change in consumer demand for our products or the occurrences of catastrophic events may have an adverse impact on our product sales, which may in turn lead to inventory obsolescence, decline in inventory value or inventory write-off.

We generally estimate demand for our products ahead of production and the actual time of sale. We cannot assure you that we can accurately predict these trends and events and avoid under or over-stocking inventory. A sudden decrease in the market demand for our products and the corresponding unanticipated drop in the sales of our products could cause our inventory to accumulate, and we may be forced to rely on markdowns or promotional activities to dispose unsold items, sometimes at prices below cost, which in turn may adversely affect our financial condition and results of operations. On the other hand, if we under-stock inventory, we may lose sales and our results of operations may be adversely affected.

We may not be able to protect our intellectual property rights, and our ability to compete could be harmed if our intellectual property rights are infringed by third parties.

As at the Latest Practicable Date, we had registered 16 trademarks in the PRC, 14 of which were "Shengyao (聲耀)" and two of which were "Gangweifang (贛味坊)". Our products are marketed under our trademarks and brand name and they are critical to our continued success and growth. Any damage to our brand may affect our sales and reputation. Counterfeiting and imitation of branded products occurs from time to time in China. We cannot assure you that we will be able to promptly detect the presence of counterfeited products in the market. Occurrence of counterfeiting or imitation could impact our reputation and brands, which may lead to loss of consumer confidence, reduced sales or higher administrative costs in respect of detection and prosecution.

If the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights, we could suffer losses in profits due to the sales of competing products, which exploit our intellectual property rights. We may also be subject to disputes, claims or litigations involving our intellectual property rights or third-party intellectual property rights and we may be accused of infringing the intellectual property rights of others. Any of these developments could disrupt our business, divert our resources and management's attention from our operations and materially and adversely affect our financial condition and results of operations and prospects.

We may not be able to attract and retain our key personnel for our operation.

Our future business performance and prospects depend significantly on our Directors and senior management, as they are in charge of the overall planning of the development of our Group and the direction of our operations. In particular, we rely on our executive Directors who have served our Group for an average of more than 17 years with rich experience in food and trading, sales and marketing as well as business management experience. If our executive Directors were to terminate their employment with us, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all. Failure to attract and retain our personnel could materially and adversely affect our results of operations and business prospects.

Our performance depends on favourable labour relations with our employees, and any deterioration in labour relations, shortage of labour or material increase in wages may have a material adverse effect on our results of operations.

Our continued business success depends on our skilled and talented employees. In particular, our fungi, grains, dried aquatic products and algae are packaged at our production facilities. The packaging processes are relatively labour intensive, and our success depends on our ability to hire, train, retain and motivate our employees. We believe the quality of our labour relationships can significantly affect our performance, and any deterioration of our labour relations could cause labour disputes that could disrupt our operations. Since economic reform and liberalisation, China has experienced rapid economic growth, which has resulted in a significantly increased labour costs. For FY2019, FY2020 and FY2021, our direct labour costs included in cost of sales amounted to approximately RMB7.3 million, RMB11.1 million and RMB11.8 million, representing approximately 3.6%, 5.8% and 5.1% of our total cost of sales, respectively. Average labour wages are expected to increase. In addition, we may need to increase our total compensation to attract and retain experienced personnel required to achieve our business objectives. Any material increase in our labour costs may have a material adverse effect on our results of operations.

Our employees are subject to risks of injury caused by the use of production equipment and machinery.

We use various machinery and equipment with washing, slicing, cooking, sterilising and packaging functions, which are potentially dangerous and may cause industrial accidents and personal injury to our employees. Any significant accident caused by the use of such equipment or machinery could interrupt our production and result in legal and regulatory liabilities. Insurance coverage related to accidents resulting from the use of our equipment or machinery may be inadequate to offset losses arising from claims related to such accidents. We cannot assure you that accidents will not happen in the future. In addition, potential industrial accidents leading to significant property loss or personal injury may subject us to claims and lawsuits, and we may be liable for medical expenses and other payments to the employees and their families as well as fines or penalties. As a result, our reputation, brands, business, results of operations and financial condition may be materially and adversely affected.

Our insurance coverage may not be adequate to cover all the risks.

During the Track Record Period, we had maintained limited insurance coverage, which we believe is customary for business of our size and type and in line with the standard commercial practice in our industry. For further details, please refer to the paragraph headed "Business — Insurance" in this document. However, there is no guarantee that our existing insurance policies will be able to fully protect us from all liabilities. In addition, we do not maintain insurance policies against business interception, third party personal injury or environmental liabilities. If we are exposed to the liabilities in respect of any of these uninsured risks or if we do not have adequate insurance coverage, our business, financial condition, results of operations and the prospects could be materially and adversely affected.

We may face product liability claims related to our raw materials, our products or the general agricultural food product processing and snack food industry, and such claims could materially and adversely affect our reputation and our ability to sell our products.

We may face product liability claims. The consumption of food products may cause illness or, in extreme cases, death. Such illness or death may result from unauthorised tampering by third parties or product contamination or degeneration, including the presence of foreign contaminants, chemical substances or other agents or residues that could be exposed to our products at any stages of procurement, food processing, transportation and storage. Such illegal or harmful substances that we are not able to detect or identify using our standard procedures may exist in the raw materials due to the failure of our staff to follow the standard production policies in the production process or may result from improper handling during transit by third-party logistics service providers or suppliers. Further, sale of our food products in China is also subject to relevant PRC laws and regulations that are generally applicable to the sale of goods, such as the Product Quality Law of the PRC (《中華人民共和國產品質量法》) and the Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》). Please refer to the paragraph headed "Regulatory Overview — Product Quality and Product Liability" in this document for further details.

In the event that any of our products is contaminated or results in any illnesses or deaths as a result of being unfit for human consumption, we may be subject to regulatory investigations or product liability claims and be required to compensate affected parties. We may be required to negotiate with, or institute litigation when negotiation fails, against our suppliers for the losses arising out of contaminated raw materials. Such litigation could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects. The compensation clauses in the supply contract may not be adequate to remedy our damages. Even if any such litigation is resolved in our favour, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate us for our actual or anticipated related losses, whether tangible or intangible, in which case our business, results of operations and financial position will be materially and adversely affected.

If our raw materials or products are found to be spoiled, contaminated, containing excessive chemical additives, tampered with or incorrectly labelled, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected. During the Track Record Period, we did not involve in any material incidents related to product quality.

We may not be able to obtain or renew the necessary licences and permits for our business or maintain our existing standard certifications.

In accordance with Chinese laws and regulations, we are required to obtain and maintain various licences and permits in order to operate our business. We are also subject to regular or irregular sample inspections by the regulatory authorities for compliance with the relevant laws and regulations in the PRC, including Food Safety Law of the PRC (《中華人民共和國食品安全法》), the Implementing Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》), Administrative Measures of Food Production Licensing《食品生產許可管理辦法》 and Administrative Measures for Food Operation Licensing 《食品經營許可管理辦法》. Although we have obtained necessary approvals, licenses and permits to operate our business, these approvals, licenses and permits are still subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation. Please refer to the paragraph headed "Business — Licences and Permits" in this document for details of our licences and permits as at the Latest Practicable Date. Failure to pass these inspections or failure to obtain or renew our licences and permits when they expire could lead to confiscation of illegal gains and products, fines, suspension of production or business and rescission of licences on us, which could disrupt our operations and materially and adversely affect our business.

Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business and financial performance.

The government grants received by our Group during the Track Record Period were generally one-off in nature.

During FY2019, FY2020 and FY2021, we received certain government grants and subsidies of approximately RMB4.1 million, RMB4.6 million and RMB3.7 million, respectively. These government grants were generally one-off in nature. Please refer to note 7 to the Accountants' Report as set out in Appendix I to this document for further details. There is no assurance that our Group will receive such government grants or subsidies for the financial years afterwards and our financial position may be adversely affected if we fail to obtain any of such government grant or subsidies in the future.

We may be subject to additional contributions of social insurance premium and housing provident funds and late payments and fines imposed by relevant governmental authorities.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Administrative Regulations on the Housing Provident Fund of the PRC (《住房公積金管理條例》), we are required to make social insurance premium contributions and housing provident funds for our employees. Our PRC subsidiaries have in the past failed to make full contribution to the social insurance premiums and housing provident funds in a timely manner. We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay during FY2019, FY2020 and FY2021 was approximately RMB4.7 million, RMB1.7 million and RMB1.8 million, respectively. As advised by our PRC Legal Advisers, the relevant PRC authorities may request us to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to repay the outstanding social insurance contributions within the prescribed period, we may be liable to a fine of one to three times the outstanding contribution amount. In case we fail to make payments of outstanding housing provident fund contributions prior to the stipulated deadline imposed by the relevant government authorities, we may be subject to an order from the relevant people's courts to make such payment. For further details, please refer to the paragraph headed "Business — Non-Compliance" in this document.

If our preferential tax treatment becomes unavailable, our results of operations may be adversely affected.

During the Track Record Period, two of our subsidiaries, Jiangxi Zhengwei and Guangchang Zhenglian, were approved for the High and New Technology Entities qualification under the EIT Law and its relevant regulations and are entitled to a preferential tax rate of 15% during the Track Record Period.

We cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. The EIT Law and its implementation rules have adopted a statutory enterprise income tax rate of 25%. During the Track Record Period, our PRC subsidiaries paid an enterprise income tax rate of 25%, except for certain subsidiaries which enjoyed preferential tax treatment, including in particular, a subsidiary which was exempt from income tax for engaging in agricultural business. If we cease to be entitled to such preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations.

Litigation or legal proceedings could expose us to liability, divert our management's attention and negatively impact our reputation.

We may be involved in litigation or legal proceedings during the ordinary course of business operations related to, among other things, product or other types of liability, labour disputes or contract disputes that could have a material adverse effect on our financial condition. These actions could also expose us to adverse publicity, which might materially and adversely affect our brands, reputation and customer preference for our products. If we become involved in any litigation or other legal proceedings in the future, the outcome of these types of proceedings could be uncertain and could result in settlements or outcomes that materially and adversely affect our financial condition. In addition, any litigation or legal proceedings may require substantial legal expenses as well as significant time and attention from our management, diverting their attention from our business and operations.

RISKS RELATING TO OUR INDUSTRY

China's agricultural food product processing and snack food industry is affected by fluctuations in the domestic economy and financial markets.

Our business operations may be materially and adversely affected by changes in local economic conditions in the markets in which we operate. Weak economic conditions may reduce consumer demand for our products, lead to potential insolvencies among our suppliers, retailers or corporate customers and counterparties or otherwise increase our operational challenges. Any slowdown in the economy could reduce consumer confidence and their level of disposable income, which could reduce demand for our products, affecting our business, results of operations and financial position.

In addition, the general lack of available credit and confidence in the financial markets associated with any market volatility or downturn could materially and adversely affect our access to capital as well as our suppliers' and customers' access to capital, which in turn could materially and adversely affect our ability to fund our working capital requirements and capital expenditures.

Changes in food-safety laws may affect our business.

As a seller of products intended for direct human consumption, we are subject to extensive food-safety laws and regulations in the PRC especially the Food Safety Law of the PRC (《中華人民共和國食品安全法》) and Implementing Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》). Such laws and regulations set forth standards with respect to foods, food additives, food packaging, food safety, food production facilities, food production, food transportation and food sale. Please refer to the paragraph headed "Regulatory Overview — Food Safety" in this document for further details.

There can be no assurance that the PRC Government will not impose additional or stricter laws or regulations on food safety, providing for more stringent or comprehensive monitoring and regulation of food manufacturers in areas including food processing and sale, which may lead to an increase in our costs of complying with such regulations. We may also as a result be subject to fines, suspension of operations, loss of food production licences and, in more extreme cases, criminal proceedings against us and our management. Any of these events could have a material adverse impact on our business, results of operations and financial condition. In addition, we may be unable to pass these additional costs on to our customers, which may result in a material adverse effect on our results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in political, social and economic policies in China may materially and adversely affect our business, financial condition, results of operations and prospects.

All of our operating subsidiaries are located in China and all of our business activities are conducted in China. Accordingly, changes in political, social and economic policies in China may materially affect our results of operations and business prospects. The Chinese economy differs from the economies in most developed countries in many aspects, including the level of government involvement, degree of development, economic growth rate and control of foreign exchange. China has been reforming the PRC economic system, and has also begun reforming the government structure in recent years. Although these reforms have resulted in significant economic growth and social progress, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our future business, results or financial condition. Moreover, the PRC Government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our operations and business development.

Uncertainties in the Chinese legal system may materially and adversely affect our business and limit the legal protection available to you.

Our subsidiaries and operations are located in China and are subject to the laws and regulations of China. The Chinese legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system have little precedential value and can only be used as a reference. Furthermore, China's statutes are subject to the interpretation by the legislative bodies, the judicial authorities and the enforcement bodies, which increases the uncertainty. Since 1978, when the PRC Government started economic reforms, China has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. Many of these laws and regulations are relatively new and subject to frequent changes and uncertainties in implementation and interpretation. There may also be new laws and regulations to cover new economic activities in China. We cannot predict the future developments in the Chinese legal system. These uncertainties in the Chinese legal system may materially and adversely affect our business and limit the legal protection available to you.

The heightened scrutiny over acquisitions from the Chinese tax authorities may have a material adverse impact on our business or our acquisition or restructuring strategies.

On 3 February 2015, SAT issued Announcement on Several Issues Concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprise (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) Circular 7, which replaced or supplemented certain provisions under the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises Equity Transfer Income (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) Circular 698. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise.

There is uncertainty as to the application of Circular 7 and previous rules under Circular 698. Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Circular 7 or to establish that we and our non-resident enterprises should not be taxed under Circular 7 for our previous and future restructurings or share disposals of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

We may be considered a "PRC resident enterprise" under the EIT Law, which could result in our global income being subject to a 25% EIT.

We are a holding company incorporated under the laws of the Cayman Islands. We conduct our business through our operating subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "PRC resident enterprises" and thus will generally be subject to an EIT at the rate of 25% on their global income. On 6 December 2007, the State Council adopted the Regulation on the Implementation of EIT Law, effective on 1 January 2008, which defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises". Currently, all of our management is based in the PRC, and may continue to be based in the PRC in the future.

If we were considered a PRC resident enterprise, we would be subject to the EIT at the rate of 25% on our global income, and any dividends or gains on the sale of our Shares received by our non-resident enterprise Shareholders may be subject to a withholding tax at a rate of up to 25%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from EIT, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the EIT Law, our financial position and results of operations may be materially and adversely affected.

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 25%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. If certain conditions and requirements under the Hong Kong Tax Treaty, are met, the withholding rate could be reduced to 10%. However, SAT promulgated Circular 601 on 27 October 2009, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be adopted based on a "substance over form" analysis to determine whether or not to grant tax treaty benefits to a "conduit" company.

It is unclear whether Circular 601 applies to dividends from our PRC operating subsidiaries paid to us through Zhengwei Group, our indirect subsidiary incorporated in Hong Kong which holds our PRC entities. If, under Circular 601, Zhengwei Group were not considered the "beneficial owner" of any such dividends, such dividends would, as a result, be subject to income tax withholding at the rate of 25% rather than the more favourable 10% rate applicable under the Hong Kong Tax Treaty. In that case, our financial position and results of operations may be materially and adversely affected.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us or otherwise materially and adversely affect our financial position.

On 4 July 2014, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) or Circular 37, which states that: (i) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of SAFE before it contributes the assets of or its equity interest into a special purpose vehicle, for purpose of investment and financing, and (ii) when the special purpose vehicle undergoes a change of basic information (such as a change of a PRC resident natural person shareholder, name or operating period) or a material event (such as a change of share capital held by a PRC resident natural person, merger of split), the PRC resident shall register such change with the local branch of SAFE timely.

All PRC ultimate individual shareholders of our Company, who are PRC residents, were required to make the foreign exchange registration under Circular 37 and have completed such registration with SAFE or its local counterpart. However, we may not at all times be fully aware or informed of the identities of all our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with the requirements of Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC citizens or residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, Circular 37 or other related regulations. According to Circular 37 and relevant PRC foreign exchange regulations, if any of our Shareholders who are required to make the foreign exchange registration and amendment fails to do so, our PRC subsidiaries may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from providing our PRC subsidiaries with loans denominated in foreign currencies of injecting additional capital into our PRC subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liabilities for such PRC subsidiaries, and the responsible persons and other person in such PRC subsidiaries who are held directly liable for the violations may be subject to administrative sanctions.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the [REDACTED] from the [REDACTED] to make additional capital contributions or loans to our major PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the **[REDACTED]** from the **[REDACTED]**, are subject to PRC regulations. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under relevant PRC laws and the registered capital of our major PRC subsidiaries, and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our major PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may materially and adversely affect our PRC subsidiaries’ liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments and have a material adverse effect on our business, financial condition and results.

Government control of currency conversion and fluctuation in the exchange rates of the Renminbi may materially and adversely affect our business and results of operations and our ability to remit dividends.

All of our revenue and operating costs are denominated in Renminbi. The PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required for foreign currency conversions for payment under capital account items such as equity investments. The PRC Government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. Under our current corporate structure, our revenue is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

The exchange rates of the Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in China's political and economic conditions. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from the **[REDACTED]** into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar may have a material adverse effect on the Renminbi amount that we will receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for purpose of making dividend payments on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would reduce the Hong Kong dollar amount available to us.

You may experience difficulty in effecting service of legal process and enforcing judgments against us, our Directors and senior management.

Substantially all of our assets are situated in the PRC. Most of our Directors and senior management reside within the PRC, and substantially all of their respective assets are located within the PRC. As a result, it may not be possible to effect service of process elsewhere outside the PRC upon us or most of our Directors and officers. Furthermore, the PRC does not have treaties providing for reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. As a result, court judgments against us obtained in other jurisdictions may be difficult or impossible to be enforced in China.

Under the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region pursuant to Agreed Jurisdiction by Parties Concerned (the "**Arrangement**") effective on 1 August 2008, as for an enforceable final judgement made by a PRC court or Hong Kong court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a PRC court or a Hong Kong court for recognition and enforcement. The term "written agreement on jurisdiction" as mentioned in the present Arrangement refers to agreements clearly stipulated in written form by parties concerned that a PRC court or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

RISKS RELATING TO THE [REDACTED]

An active [REDACTED] in our Shares may not develop.

Prior to the **[REDACTED]**, there was no public market for our Shares. The **[REDACTED]** of our Shares is the result of negotiations between us and the Sole **[REDACTED]** (on behalf of the **[REDACTED]**), and the **[REDACTED]** may differ significantly from the **[REDACTED]** for our Shares following the **[REDACTED]**. There is no guarantee that an active **[REDACTED]** for our Shares will develop or, if it does develop, that it will sustain or that the **[REDACTED]** of our Shares will not decline after the **[REDACTED]**.

The [REDACTED] and [REDACTED] of our Shares may be volatile, which may result in substantial losses for investors in our Shares.

The price and **[REDACTED]** of our Shares may fluctuate widely in response to factors beyond our control. The factors that could cause significant **[REDACTED]** change include but do not limit to the following:

- changes in our results of operations, earnings and cash flows, and securities analysts' estimates of our financial performance;
- changes in competitive landscapes of our industries, including strategic alliances, acquisitions or joint ventures by us or our competitors;
- changes in general economic conditions affecting us or our industries;
- regulatory developments, and our inability to obtain or renew necessary licences and permits;
- changes in our senior management;
- fluctuations of the general stock market, particularly fluctuations in stock prices of other companies that operate mainly in China and are listed on the Stock Exchange; and
- material litigation or regulatory investigations affecting us or our senior management.

There will be a time gap of several business days between pricing and [REDACTED] of our Shares offered under the [REDACTED]. The [REDACTED] of the Shares after [REDACTED] begins could be lower than the [REDACTED].

The **[REDACTED]** of our Shares will be determined on the **[REDACTED]**. However, our Shares will not **[REDACTED]** until they are delivered, which is expected to be several business days after the **[REDACTED]**. Investors are unlikely to be able to sell or otherwise deal in our Shares before they **[REDACTED]**. Accordingly, holders of our Shares are subject to the risk that the price of our Shares after **[REDACTED]** begins could be lower than the **[REDACTED]** as a result of adverse market conditions or other adverse development that may occur between the **[REDACTED]** and the time **[REDACTED]** begins.

Control by our Controlling Shareholders of a substantial percentage of our Company's share capital after the completion of the [REDACTED] may limit your ability to influence the outcome of decisions requiring the approval of Shareholders and the interests of our Controlling Shareholders may not be aligned with those of our other Shareholders.

Upon the completion of the **[REDACTED]**, our Controlling Shareholders as a group, namely Mr. Yang and his spouse, Ms. Lin, through Shengyao Investment and Trendy Peak, respectively, together with Nanchang Tongli LP through Prosperous Season will own an aggregate of **[REDACTED]** of issued share capital of our Company without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** and the options that may be granted under the Share Option Scheme. After the completion of the **[REDACTED]**, our Controlling Shareholders will continue to have significant influence on us on various important corporate actions requiring the approval of Shareholders, such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between our Controlling Shareholders' interests and your interests. If our Controlling Shareholders cause us to pursue strategic objectives that would conflict with your interests, your interests in our Company may be materially and adversely affected.

Future sales or major divestment of our Shares by any of our Controlling Shareholders could materially and adversely affect the prevailing [REDACTED] of our Shares.

The **[REDACTED]** of our Shares may be materially and adversely affected by future sales of a significant number of our Shares in the **[REDACTED]** after the **[REDACTED]**, or the possibility of such sales, by our Controlling Shareholders. The Shares held by our Controlling Shareholders are subject to certain lock-up arrangements; please refer to the paragraph headed "**[REDACTED]**" in this document for a detailed description of the restrictions. After the restrictions of the lock-up arrangements expire, our Controlling Shareholders may dispose of our Shares. Sales of a substantial amount of our Shares could materially and adversely affect the **[REDACTED]** of our Shares, which could materially and adversely affect our ability to raise equity capital.

Our future financing may cause dilution of your shareholding or place restrictions on our operations.

In order to raise capital and expand our business, we may consider offering and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;
- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

You will experience immediate and substantial dilution in the book value of your investment as a result of the [REDACTED].

The **[REDACTED]** of our Shares is higher than our net tangible book value per Share immediately prior to the **[REDACTED]**. Therefore, purchasers of our Shares will experience an immediate dilution in **[REDACTED]** net tangible book value per Share. Our existing Shareholders will, however, receive an increase in **[REDACTED]** net tangible book value per Share with respect to their Shares. In addition, if the Sole **[REDACTED]** exercises the **[REDACTED]**, holders of our Shares may experience further dilution.

There is no assurance as to whether we will pay dividends in the future.

No dividend has been paid or declared by the Company since its incorporation. There is no assurance as to whether we will pay dividends in the future. Declaration and distribution of dividends shall be proposed and formulated by our Board of Directors at their discretion and will be subject to shareholder approval. A decision to declare or to pay any dividends and the amount of any dividend will depend on various factors, including, our operating results, financial condition, future prospects and other factors which our Board may deem important. Please refer to the paragraph headed "Financial Information — Dividend" in this document for further details of our dividend policy.

Certain facts, forecasts and other statistics contained in this document are obtained from government sources and other third parties and may not be accurate or reliable, and statistics in the document extracted from the Industry Report are subject to assumptions and methodologies set forth in the section headed "Industry Overview" in this document.

In this document, certain facts, forecasts and other statistics concerning China, its economic conditions and the industries are derived from publications of the PRC Government agencies or industry associations, or the Industry Report. Although we have taken reasonable care in extracting those facts, forecasts and statistics, they have not been independently verified by us, the Sole Sponsor, the Sole **[REDACTED]**, the Sole **[REDACTED]**, the Sole **[REDACTED]**, the **[REDACTED]**, any of our or their respective directors, officers or representatives or any other person involved in the **[REDACTED]**. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. You should consider carefully how much weight you should place on those facts, forecasts and statistics.

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This document contains certain future plans and forward-looking statements about us that are made based on the information currently available to our management. The forward-looking information contained in this document is subject to certain risks and uncertainties. Our ability to implement and execute our strategies will depend on various factors including the market conditions, our business prospects, actions by our competitors and the global financial situations.

You may experience difficulties in enforcing your shareholder rights because we were incorporated in the Cayman Islands, and the Cayman Islands law may be different from the laws of Hong Kong and other jurisdictions in terms of minority shareholder's protection.

We are an exempted company incorporated in the Cayman Islands with limited liability. Cayman Islands law may differ in some respects from the laws of Hong Kong and other jurisdictions where investors may be located. Our corporate affairs are governed by our Memorandum and Articles of Association, the Companies Act and the common law of the Cayman Islands. The rights of our Shareholders to take legal actions against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands, and from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those in Hong Kong and other jurisdictions. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this document.

In preparation for the **[REDACTED]**, our Company has sought the following waiver from strict compliance with Rule 8.12 of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong and this normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Since the principal business operations of our Group are and will be primarily located in the PRC and will continue to be based in the PRC, and our Group does not and will not, in foreseeable future, have any material operation in Hong Kong, our executive Directors and senior management members are and will continue to be based in the PRC. At present, none of our executive Director or senior management are Hong Kong permanent residents or ordinarily based in Hong Kong. Our Company considers that either appointment of any additional executive Director who will be ordinarily resident in Hong Kong or relocation of our existing executive Directors to Hong Kong will not be beneficial to or appropriate for our Group. In that regard, our Company does not contemplate in the foreseeable future that it will, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

In view of that, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. Yang and Mr. Chan Ngai Fan. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone and email, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorised representatives is duly authorised to communicate on behalf of our Company with the Stock Exchange and their respective contact details have been provided to the Stock Exchange;

(b) both authorised representatives have means to contact all members of our Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters;

(c) to further enhance communication between the Stock Exchange and our Directors, each executive Director and independent non-executive Director has provided his/her contact details including office telephone number and/or mobile telephone number and email address to the Stock Exchange;

(d) each of our Directors (including the independent non-executive Directors) who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be available to meet with the Stock Exchange within a reasonable period upon request of the Stock Exchange;

(e) our Company has appointed Mr. Chan Ngai Fan, who is ordinarily resident in Hong Kong as the company secretary. His contact details have been provided to the Stock Exchange;

(f) in compliance with Rule 3A.19 of the Listing Rules, the Company has appointed Grand Moore Capital Limited as the compliance adviser of the Company to act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for the period commencing on the date of the **[REDACTED]** and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the date of the **[REDACTED]**;

(g) meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or the compliance adviser of our Company, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorised representatives and the compliance adviser of our Company; and

(h) our Company will retain other professional advisers (including legal advisers and accountants) in Hong Kong, after the **[REDACTED]** to assist us in dealing with any questions which may be raised by the Stock Exchange from time to time.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yang Shengyao (楊聲耀)	Room 701, Building 2 No.188 Jiefang Road, Changleng Town Xinjian County, Nanchang City Jiangxi Province PRC	Chinese
Ms. Lin Qiuyun (林秋雲)	Room 701, Building 2 No.188 Jiefang Road, Changleng Town Xinjian County, Nanchang City Jiangxi Province PRC	Chinese
Mr. Li Hui (李輝)	Room 301, Building 2 235 Yongwaizheng Street, Donghu District Nanchang City, Jiangxi Province PRC	Chinese
Independent Non-executive Directors		
Mr. Li Taihong (李太紅)	60 Zirancun Xincun, Yangmen Village, Changdongzhen Hi-Tech Industry Development Zone Nanchang City, Jiangxi Province PRC	Chinese
Mr. Lau Jing Yeung William (劉正揚)	Flat F, 18/F Block 6, The Pacifica 9 Sham Shing Road, Lai Chi Kok Kowloon Hong Kong	Australian
Mr. Lee Kwok Tung Louis (李國棟)	Flat B, 16/F Block T1, Grand Promenade 38 Tai Hong Street, Sai Wan Ho Hong Kong	Chinese

Please refer to the section headed "Directors and Senior Management" in this document for further details of our Directors.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Grand Moore Capital Limited** Unit 1607, 16/F Silvercord Tower 1 30 Canton Road Tsim Sha Tsui Kowloon Hong Kong

[REDACTED]

Legal Advisers to our Company	*As to Hong Kong law:* **Winston & Strawn** 42nd Floor Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC law:* **Allbright Law Offices (Fuzhou)** 37/F, International Finance Center 1 Wanglong 2nd Avenue Fuzhou Fujian Province PRC

	As to Cayman Islands law: **Appleby** Suites 4201-03 &12 42/F, One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong
Legal Advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **King & Wood Mallesons** 13th Floor, Gloucester Tower, The Landmark 15 Queen's Road Central Central Hong Kong
	As to PRC law: **Shanghai Wenfeiyong Law Firm** Room 2704, Multimedia Plaza No. 1027, Changning Road Shanghai PRC
Auditor and Reporting Accountants	**BDO Limited** 25th Floor, Wing On Centre 111 Connaught Road Central Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai 200040 PRC

Compliance Adviser	**Grand Moore Capital Limited** Unit 1607, 16/F Silvercord Tower 1 30 Canton Road Tsim Sha Tsui Kowloon Hong Kong
Receiving Bank	[•]

CORPORATE INFORMATION

Registered office in the Cayman Islands	**Tricor Services (Cayman Islands) Limited** P.O. Box 10008 Willow House, Cricket Square Grand Cayman, KY1-1001 Cayman Islands
Headquarters and principal place of business in the PRC	487 Yuhu Road Xiaolan Economic Development Zone Nanchang, PRC
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 12, 12/F Tower A, New Mandarin Plaza No. 14 Science Museum Road Tsim Sha Tsui, Kowloon Hong Kong
Company's website	www.zhengwei100.com *(The contents of the website do not form a part of this document)*
Company secretary	Mr. Chan Ngai Fan, *HKICPA* Flat C, 10/F, Boundary Crest 177-177A Boundary Street, Kowloon Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Yang Shengyao Room 701, Building 2 No.188 Jiefang Road, Changleng Town Xinjian County, Nanchang City Jiangxi Province PRC Mr. Chan Ngai Fan, *HKICPA* Flat C, 10/F, Boundary Crest 177-177A Boundary Street, Kowloon Hong Kong
Audit Committee	Mr. Lau Jing Yeung William *(Chairman)* Mr. Li Taihong Mr. Lee Kwok Tung Louis

Remuneration Committee	Mr. Li Taihong *(Chairman)* Mr. Yang Shengyao Mr. Lau Jing Yeung William
Nomination Committee	Mr. Li Taihong *(Chairman)* Mr. Yang Shengyao Mr. Lau Jing Yeung William

[REDACTED]

Principal banker	**Jiangxi Bank Co., Ltd. (Nanchang Tielu Branch)** 96 Zhanqian Road, Xihu District Nanchang City, Jiangxi Province PRC

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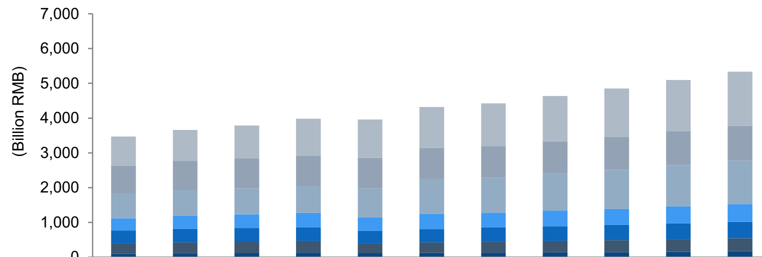
AGRICULTURAL FOOD PRODUCT PROCESSING INDUSTRY

Overview of China's Agricultural Food Product Processing Industry

Agricultural food product processing turns the products of agriculture, forestry, animal husbandry and fishery into the form of human food consumables. China's agricultural food product processing industry can be segmented into (i) processing of milled grain products, which involves cleaning, hulling and grinding grains into rice, wheat flour, corn flour and other finished products of grain; (ii) processing of vegetable oil, which involves manufacturing crude and refined vegetable oil; (iii) processing of sugar, which involves processing or refining of sugar and sugar substitutes from cane, beet and other raw materials, as well as the processing of refined sugar from raw sugar and granulated sugar; (iv) slaughtering, preparing and preserving of meat and meat products, which involves slaughtering, preparing and preserving of livestock, poultry, and processing of meat products and by-products from various livestock and poultry; (v) processing and preserving of aquatic products, which involves processing of frozen aquatic products, fish meal products and dry and preserved aquatic products, oils and fats from fish and marine mammal, and aquatic products from other aquatic animals and plants; (vi) processing of vegetables, fungus, fruits and nuts, which involves processing of vegetables, fungus, fruits and nuts through drying, freezing, salting, etc.; and (vii) processing of other agricultural food products, including starch and starch food, soy products, eggs, and other agricultural food products.

The market size in terms of the revenue of agricultural food product processing industry has increased from RMB3,472.1 billion in 2016 to RMB4,317.9 billion in 2021, representing a CAGR of approximately 4.5%. Along with the latest processing technology, expanding distribution channels and industrial consolidation, the market size in terms of the revenue of agricultural food product processing industry is expected to grow at a CAGR of approximately 4.3% from 2021 to 2026, reaching RMB5,340.1 billion in 2026.

Market Size of Agricultural Food Product Processing Industry in terms of Revenue by Major Categories (China), 2016 — 2026E



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (16-21)	CAGR (21-26E)
Total	3,472.1	3,661.4	3,785.8	3,983.4	3,958.5	4,317.9	4,429.2	4,640.0	4,854.6	5,099.4	5,340.1	4.5%	4.3%
Meat and Meat Products	839.9	882.9	939.0	1,065.8	1,098.8	1,170.8	1,233.3	1,308.9	1,387.9	1,471.9	1,559.2	6.9%	5.9%
Milled Grain Products	812.3	844.0	868.5	885.9	878.8	900.2	910.2	930.6	957.0	984.9	1,003.4	2.1%	2.2%
Vegetable Oil	699.7	748.3	744.1	759.7	841.1	995.7	1,004.9	1,062.2	1,122.0	1,185.6	1,251.8	7.3%	4.7%
Other Agricultural Food Products	355.7	375.1	399.0	408.7	386.8	443.8	427.9	449.1	461.0	484.1	508.0	4.5%	2.7%
Vegetables, Fungus, Fruits And Nuts	372.5	389.5	399.5	400.8	362.3	386.5	406.4	422.0	437.9	454.7	471.8	0.7%	4.1%
Aquatic Products	295.2	313.5	320.6	333.1	274.1	295.0	315.3	330.8	347.0	364.3	382.2	0.0%	5.3%
Sugar	96.8	108.1	115.1	129.4	116.6	125.9	131.2	136.4	141.8	153.9	163.7	5.4%	5.4%

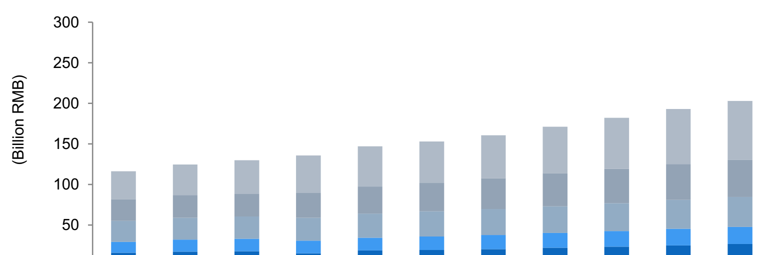
Source: Frost & Sullivan

Overview of Jiangxi Province's Agricultural Food Product Processing Industry

Jiangxi Province is one of China's richest agricultural provinces with diversified agricultural products, such as grain, oilseed crop, vegetables, pig, tangerine, navel orange and freshwater fish. The market size in terms of the revenue of agricultural food product processing industry in Jiangxi Province has increased from RMB116.4 billion in 2016 to RMB153.1 billion in 2021, representing a CAGR of approximately 5.6%.

Going forward, boosted by economy growth and growing income level, the market size in terms of the revenue of agricultural food products processing industry in Jiangxi Province is expected to grow at a CAGR of approximately 5.8% from 2021 to 2026, reaching RMB203.0 billion in 2026.

Market Size of Agricultural Food Products Processing Industry in terms of Revenue by Major Categories (Jiangxi Province), 2016 — 2026E



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (16-21)	CAGR (21-26E)
Total	116.4	124.7	129.9	136.0	147.3	153.1	160.8	171.2	182.4	193.1	203.0	5.6%	5.8%
Meat and Meat Products	35.0	37.7	41.1	46.6	49.8	51.3	53.1	57.6	63.2	68.0	72.5	7.9%	7.2%
Vegetable Oil	26.3	28.2	28.4	30.5	33.4	35.0	37.9	40.6	42.3	44.1	45.9	5.9%	5.6%
Milled Grain Products	25.9	26.9	27.5	28.2	29.7	30.9	32.1	32.9	34.3	35.8	36.9	3.6%	3.6%
Vegetables, Fungus, Fruits And Nuts	13.5	14.8	15.2	15.7	15.8	16.8	17.5	18.2	19.3	20.3	21.0	4.5%	4.6%
Aquatic Products	10.9	12.2	12.7	13.5	14.0	14.5	15.4	16.8	17.9	19.1	20.3	5.9%	7.0%
Other Agricultural Food Products	4.8	4.9	5.0	1.5	4.6	4.6	4.8	5.1	5.4	5.8	6.4	-0.8%	6.8%
Sugar	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.03	16.3%	10.5%

Source: Frost & Sullivan

Market Drivers of China's Agricultural Food Product Processing Industry

Accelerating Urbanisation Process: Together with the continuous growth of macro economy, China's urbanisation rate maintained an upward trend together with an increasing number of urban population. Over the past five years from 2016 to 2021, the urbanisation rate increased by 7.4% from 57.3% to 64.7%. Going forward, the urbanisation rate is expected to accelerate and to further reach 74.2% by 2026. The increasing urbanisation rate has greatly improved the living standards and stimulated the consumption of processed agricultural food products. At the same time, continuous urbanisation can provide for more retail channels for consumers to purchase processed agricultural food products, which can help driven the sales growth of the market. Furthermore, with the accelerating urbanisation process, the agricultural food product processing market in Tier-3 and lower-tier cities is expected to witness a faster growth pace than Tier-1 and Tier-2 cities, and contribute more to the growth of the overall market.

Rising Purchasing Power of Chinese Consumers: Along with the steady growth of macro economy, the average income level of Chinese households has increased continuously in recent years. From 2016 to 2021, the per capita disposable income of Chinese residents in urban area has increased from RMB33,600 to RMB47,400, representing a CAGR of 7.1% from 2016 to 2021. Going forward, the per capita disposable income in urban area is expected to grow along with the growing macro economy in the following years, reaching RMB66,500 in 2026. The increasing disposable income of Chinese residents has resulted in a positive effect on the purchasing power of Chinese consumers. Consumers' purchasing power usually grows with the increase of income level. In addition, the increasing purchasing power also drives the growth of total retail sales of consumer goods including processed agricultural food products. Thus, the rising purchasing power of Chinese consumers is expected to be one of the key drivers for the agricultural food product processing industry in the coming years.

Upgrading Consumption Trend: Along with the increasing income level and purchasing power, the consumption structure of Chinese residents has been constantly improving in recent years. The consumption of processed agricultural food products is not only for satiety, but has gradually evolved for pleasure and enjoyment. As consumers pay an increasing attention on the quality of life, consumers are becoming less price-sensitive but more concerned about product quality, ingredients, packaging patterns and nutrition of products when purchasing processed agricultural food products. In the meantime, consumers' increasing awareness of health has been motivating agricultural food product processors to develop and launch new products with natural, healthy and nutritional ingredients which have enriched processed agricultural food products and stimulate the consumption in return.

Increasing Health Awareness: Along with the rapid growth of China's economy, people are seeking for higher living standards, thus paying more attention to food quality than quantity. Meanwhile, environmental pollution, food safety issue and unhealthy dietary patterns have affected people's well-being. With the desire for a healthier body condition, people in China are becoming more conscious to personal health problems and will prefer processed agricultural food products with natural ingredients. In doing so, customers are willing to spend more on healthy and quality processed agricultural food products; and as a result, China's agricultural food product processing industry is expected to benefit.

Opportunities, Threats and Challenges of China's Agricultural Food Product Processing Industry

Opportunities

Application of Advanced Processing Technology: Along with the rapid expansion of agricultural food product processing industry and the development of processing methods, more advanced technologies are being adopted in the processing of agricultural food products in China. According to the Notice on Certain Measures for Promoting Quality Economic Development of Refined and Deep Processing of Agricultural Products (《關於促進農產品精深加工高質量發展若干政策措施的通知》) promogulated in December 2018, the PRC Government has encouraged the upgrading and development of modern agricultural food product processing facilities and technologies. Various modern processing technologies, such as vacuum freeze drying, ultra-high pressure sterilisation, microwave drying and far-infrared heating technology have gradually been adopted to improve efficiency and increase production capacity, thus promoting the development of China's agricultural food product processing industry.

Growing Industrial Consolidation: With growing customer's concern of food safety, improved agricultural modernisation, and the rigid regulatory system for standardisation of production processes of agricultural food product processors, a growing industrial consolidation trend has emerged in the market. Small and mid-sized processors have gradually merged together or are acquired by each other. Meanwhile, leading companies with strong brand awareness, advanced processing technology, large distribution coverage and professional management team are expected to enjoy further development and achieve sufficient economies of scale in the consolidation trend.

Expanding Distribution Channel: Traditionally, agricultural food products are primarily sold in bulk through farmers' market, grocery stores and roadside stalls. With a rise in brand awareness and demand for product quality as well as changing customer habits, modern channels like branded chain stores, supermarket and convenience stores, as well as e-commerce channel like Tmall and JD.com. have witnessed rapid growth. Leading agricultural food product processers are striving to establish extensive distribution channels by establishing presences in supermarkets and convenience stores, as well as opening of self-operated online and offline branded stores across the country. Through expanding distribution channels, agricultural food product processers are able to expand customer coverage and enhance their brand awareness in China's agricultural food product processing industry.

Threats and Challenges

Increasing Labour Cost: As labour cost is one of the major costs for China's agricultural food product processing industry, the expected increasing trend of average annual salary of employees in manufacturing industry is likely to be a challenge.

Stricter Food Safety Requirement: Both consumers and governments' awareness of food safety have increased in past years. It is expected that higher food safety standards would be maintained in the future. Meanwhile customers have paid more attention to their health and have increased their demand for better quality in food. Agricultural food product processors are expected to be subject to stricter food safety regulatory controls and thus higher compliance costs may thereby be incurred.

SNACK FOOD INDUSTRY

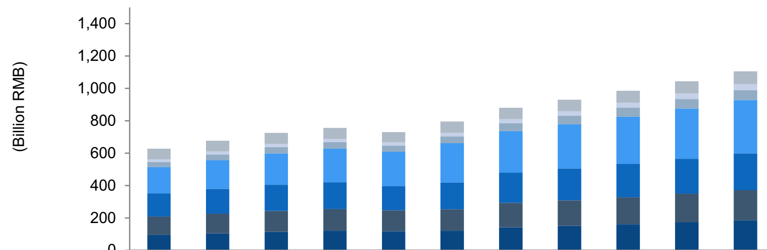
Overview of China's Snack Food Industry

Snack food refers to packaged food products that are usually consumed and eaten between meals, which mainly includes (i) bread, cakes and pastries; (ii) biscuits and other baked food; (iii) confectionery, chocolates and preserves; (iv) roasted seeds and nuts; (v) meat and aquatic animal snacks; (vi) vegetable snacks; and (vii) other snack food such as jelly and seasoned flour products, etc.

The consumption of snack food in China has experienced a steady increase in the past few years, with both online and offline retail channels sprouting up around the country. Due to rising per capital disposal income and diversification of consumer consumption preferences, the market size of snack food market in China has grown from RMB627.7 billion in 2016 to RMB796.1 billion in 2021, representing a CAGR of 4.9%. Among all categories, vegetable snacks, meat and aquatic animal snacks, as well as roasted seeds and nuts have shown high growth rates, with CAGRs of 6.3%, 5.7% and 8.5% from 2016 to 2021, respectively.

With emergence of innovative products and rising demands from young consumers, the snack food market in China is expected to grow further. It is estimated that the market size of snack food industry in China in terms of revenue will reach RMB1,105.9 billion in 2026, with a CAGR of 6.8% from 2021 to 2026.

Market Size of Snack Food Industry in terms of Revenue by Major Categories (China), 2016 — 2026E



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (16-21)	CAGR (21-26E)
Total	627.7	677.5	725.5	756.1	730.4	796.1	881.1	930.6	985.9	1,044.8	1,105.9	4.9%	6.8%
Others	65.0	67.4	68.9	69.2	63.3	69.9	70.7	71.2	74.1	76.3	79.5	1.5%	2.6%
Vegetable Snacks	16.2	18.2	19.1	19.4	19.2	22.0	25.0	28.2	30.2	33.4	36.0	6.3%	10.4%
Meat and Aquatic Animal Snacks	32.3	35.7	38.6	39.3	38.8	42.6	49.7	53.2	56.4	59.5	62.5	5.7%	8.0%
Roasted Seeds and Nuts	161.8	177.5	193.5	207.8	212.7	243.2	256.7	273.6	291.2	310.0	329.5	8.5%	6.3%
Confectionery, Chocolates and Preserves	144.3	152.5	161.9	165.5	149.1	164.5	186.2	195.7	205.6	216.1	227.0	2.7%	6.7%
Biscuits and Other Baked Food	113.0	121.5	129.5	133.3	129.9	132.8	150.8	157.8	166.6	176.0	185.7	3.3%	6.9%
Bread, Cakes and Pastries	95.1	104.7	114.0	121.6	117.4	121.1	142.0	150.9	161.8	173.5	185.7	5.0%	8.9%

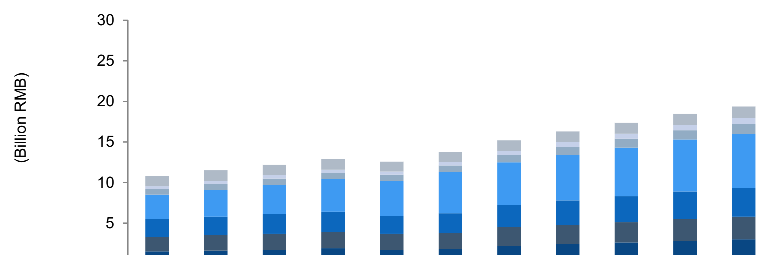
Source: Frost & Sullivan

Overview of Jiangxi Province's Snack Food Industry

Along with the development of snack food industry in China, the market size of snack food industry in Jiangxi Province has increased from RMB10.8 billion in 2016 to RMB13.8 billion in 2021, representing a CAGR of 5.0%. Among all categories, bread, cakes and pastries, vegetable snacks, and roasted seeds and nuts have shown high growth rates, with CAGRs of 3.7%, 3.7% and 11.2% from 2016 to 2021, respectively.

With rising purchasing power due to rising disposable income, as well as expansion of sales channels, especially retail channels, there is an increasing demand for snack food from customers. The market is projected to further expand to RMB19.4 billion by 2026, with a CAGR of 7.0% from 2021 to 2026.

Market Size of Snack Food Industry in terms of Revenue by Major Categories (Jiangxi Province), 2016 — 2026E



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (16-21)	CAGR (21-26E)
Total	10.8	11.5	12.2	12.9	12.6	13.8	15.2	16.3	17.4	18.5	19.4	5.0%	7.0%
Other	1.27	1.29	1.31	1.31	1.23	1.28	1.31	1.33	1.38	1.40	1.45	0.2%	2.5%
Vegetable Snacks	0.35	0.38	0.40	0.40	0.39	0.42	0.47	0.55	0.61	0.65	0.72	3.7%	11.4%
Meat and Aquatic Animal Snacks	0.68	0.73	0.79	0.79	0.78	0.80	0.92	1.02	1.11	1.15	1.23	3.3%	9.0%
Roasted Seeds and Nuts	3.0	3.3	3.6	4.0	4.3	5.1	5.3	5.6	6.0	6.4	6.7	11.2%	5.6%
Confectionery, Chocolates and Preserves	2.2	2.3	2.4	2.5	2.2	2.4	2.7	3.0	3.2	3.4	3.5	1.8%	7.8%
Biscuits and Other Baked Food	1.8	1.9	2.0	2.0	2.0	2.0	2.3	2.4	2.5	2.7	2.8	2.1%	7.0%
Bread, Cakes and Pastries	1.5	1.6	1.7	1.9	1.7	1.8	2.2	2.4	2.6	2.8	3.0	3.7%	10.8%

Source: Frost & Sullivan

Market Drivers of China's Snack Food Industry

Rising purchasing power due to rising disposable income: The demand for snack food correlates with the income level of consumers. As the per capita annual disposable income and per capita expenditure on food in China continue to increase, the snack food industry in China is expected to benefit from the rising income level.

Increasing focus on health and wellness: Increasing focus on health and wellness among customers in China has resulted in customer's preference from satisfying one's hunger to helping lift one's mood and relieve stress. Hence, there's an increased demand for snack food, and in particular, healthy snack food that contains rich natural nutrients with lower calories and less fat, sugar and additives. In addition, in line with the fast-paced modern lifestyle, snack food in small size which can be conveniently consumed is also increasingly popular.

Continuous product innovation and update: The current focus of leading snack food manufacturers is launching of new innovative products with new flavours, differentiated packaging and product upgrades to satisfy rapidly changing customer preferences and tastes in order to help build brand loyalty. Continuous product innovation and update of snack food can differentiate producers from their competitors and attract sophisticated consumers, which in turn drive sales growth.

Improving retail channels: The increasing penetration of modern retail channels such as shopping malls, supermarkets and chained convenience stores in top-tier cities and traditional retail channels such as small grocery stores, non-chained convenient stores in lower-tier cities has improved the retail coverage of snack food. In addition, the expansion of Internet users and the popularity of mobile Internet and e-commerce have made snack food purchase and consumption more convenient and affordable, which in turn drive the online consumption of snack food in China.

Opportunities, Threats and Challenges of China's Snack Food Industry

Opportunities

Increasing Diversity and Personalisation: Increasing diversity and personalisation of snack food is expected to be observed as a key opportunity in China's snack food market. Many snack food manufacturers have invested continuous efforts and resources for innovations and breakthroughs in product flavours and packaging. In addition to investment on research and development, they also increasingly highlight shaping personalised product images in marketing process. Cross-marketing has become popular, and some snack food manufacturers in China have begun to cooperate with businesses in e-sports, films, literature and other industries to co-release brands and cross-over products, or co-organise joint marketing campaigns, in order to promote each other's products and thereby achieving mutually beneficial and win-win results.

Sustained Brand Construction and Promotion: Brand building is a key to sustaining the growth of product sales in the competitive snack food market. The main competitors in the snack food market in China include many international brands with a long operating history. The images of these brands have been deeply rooted in customers' mind, while also facing the challenges such as brand aging. Many major snack food brands that are well-recognised in China tend to invest capital and resources into brand construction and promotion to avoid brand aging in order to meet with the needs of customers and to win the recognition of the younger generation.

Market Expansion with Wider Region Coverage: Non Tier-1 cities in China have experienced rapid economic growth in recent years and have high market potential as people's consumption power improves. An increasing number of snack food manufacturers are broadening their reach to these consumer groups by expanding traditional retail sales channels such as small scale non-chain stores and grocery stores, and establishing e-commerce channels facilitated by express delivery services, which have prospered in recent years in China. The market expansion is also considered as an opportunity of China's snack food market.

Threats and Challenges

More Intense Competition: The rapid development of e-commerce has impacted the snack food market in a comprehensive way. With benefits like expanded sales coverage and more brand online exposure for snack food manufacturers, there is also an increasing number of online snack food brands and imported snack food products entering China's snack food market. Such brands and products may cause the market competition to be more intense, which is considered as a challenge for China's snack food market.

Increasing Labour Cost: As labour cost is one of the major costs for China's snack food industry, the expected increasing trend of average annual salary of employees in manufacturing industry is likely to be a challenge for China's snack food industry.

COMPETITIVE LANDSCAPE

Competitive Landscape in China's Agricultural Food Product Processing Industry

In 2021, the agricultural food product processing market in China and Jiangxi Province was very fragmented. There were over 30,000 market players in the agricultural food product processing market in China and among which over 15,000 market players are enterprises with annual revenue over RMB20 million. In Jiangxi Province, there were over 2,000 market players in the agricultural food product processing market. Top ten competitors together constituted approximately 10.3% and 7.6% market share in terms of revenue in China and Jiangxi Province, respectively, for 2021. The Group recorded revenue of approximately RMB0.2 billion in 2021, accounting for approximately 0.003% and 0.1% of the market share in the agricultural food product processing market in China and Jiangxi Province, respectively.

The Group is a manufacturer of agricultural food products in Jiangxi Province. It principally engages in manufacturing and trading of dried food products and instant snacks. Its dried food products mainly include dried delicacies, dried aquatic products and grains, which can be broadly categorised into two sub-segments of the agricultural food product processing market, namely "vegetables, fungus, fruits and nuts" and "aquatic products" (collectively, the "**Selected Sub-market**").

In 2021, the Selected Sub-market in Jiangxi Province was also fragmented. There are thousands of market players that produce various kinds of food products in the Selected Sub-market in Jiangxi Province. Top five competitors together constituted approximately 3.8% market share in terms of revenue generated from the Selected Sub-market. The Group recorded revenue of approximately RMB146.4 million in 2021 from the Selected Sub-market, ranking 3rd place in the Selected Sub-market in Jiangxi Province.

Ranking and Market Share of Top Five Players in Jiangxi Province's Selected Sub-Market in Terms of Revenue, 2021

Rank	Company Name	Company Profile	Market Share (%)
1	Company A	An unlisted agricultural food product processing company with business in vegetables, fungus, fruits and nuts processing, which was established in 2000.	1.7%
2	Company B	An unlisted agricultural food product processing company with business in aquatic products processing, which was established in 2006.	0.9%
3	**The Company**		**0.5%**
4	Company C	An unlisted agricultural food manufacturer that relies on the deep processing of local special agricultural resources, which was established in 1999.	0.4%
5	Company D	An unlisted snack food manufacturer, which also engages in business of vegetables, fungus, fruits and nuts processing, and was established in 2014.	0.4%

Source: Frost & Sullivan

Competitive Landscape in China's Snack Food Industry

The snack food market in China is highly competitive and fragmented, with top ten competitors only constituting 8.0% of market share in terms of revenue in 2021. A majority of the manufacturers possess a comprehensive brand portfolio and provide a wide product offering, thereby achieving farther consumer reach. In contrast, the snack food market in Jiangxi Province is relatively scattered with hundreds of snack food manufacturers in the market. Top ten market players took up approximately 31.4% of the market share in Jiangxi Province's snack food market in terms of revenue in 2021. The Group generated revenue of approximately RMB171.1 million from instant snacks in 2021, accounting for approximately 0.02% and 1.2% of the market share in snack food market in China and Jiangxi Province, respectively.

Ranking and Market Share of Top Five Players in Jiangxi's Snack Food Market in terms of Revenue, 2021

Rank	Company Name	Company Profile	Market Share (%)
1	Company E	A listed snack food manufacturer on the Shenzhen Stock Exchange, which was established in 1999 and focuses on the processing of livestock and poultry meat products. It also runs a small agricultural food product processing business.	12.4%
2	Company F	A listed company on the Shenzhen Stock Exchange, which was established in 2006, with business in seeds, nuts and kernels, and cereal crisps.	9.4%
3	Company G	An unlisted snack food manufacturer, which was established in 2002, that undergoes agricultural food products processing in Jiangxi province.	1.9%
4	Company H	An unlisted snack food manufacturer, which was established in 2014, with business in vegetables, fungus, fruits and nuts processing.	1.8%
5	**The Company**		**1.2%**

Source: Frost & Sullivan

Consumers in the PRC select dried food products and instant snacks primarily based on price, brand recognition, and taste. Agricultural food product producers generally compete on the basis of product quality, the stability of their supplies, and the number and diversity of their products.

ENTRY BARRIERS OF CHINA'S AGRICULTURAL FOOD PRODUCT PROCESSING INDUSTRY AND SNACK FOOD MARKET

Distribution Channel: Distribution channel is extremely crucial for the new entrants in both agricultural food product processing market and snack food market. New entrants need to maintain long-term relationship with distributors like supermarkets and other retailers such as grocery stores and convenience stores, as well as other trading companies or corporate clients to ensure a stable customer base. The agricultural food product processing industry and snack food market are perfect competition markets and both have low industry concentration. Thus, it would take a long time to establish a stable distribution channel and to develop an efficient marketing team. For new entrants in the market, it is rather difficult to establish their own distribution channels within a short period of time.

Brand Awareness and Reputation: Agricultural food product processing industry and snack food market require high brand reputation for its market participants due to the concern for food quality and safety. Major brands in the market have built core competitiveness by accumulating goodwill for a long period of time through, for example, stringent quality controls and strong product research and development. Consumers are more likely to select products which are highly regarded in the market. Therefore, for those new entrants and small brands in the market, it is relatively hard for them to build their brand in a short period of time.

Capital Investment: New entrants in both agricultural food product processing industry and snack food market need a large amount of initial and operating investment to expand their scale of production. Large scale production can effectively reduce the production cost while guaranteeing high product quality at the same time. It is crucial for new entrants to have sufficient capital support to ensure procurement of production equipment and continuous expenditure on raw materials. In addition, substantial expenditures on product research and development and marketing also set a high barrier for those new entrants.

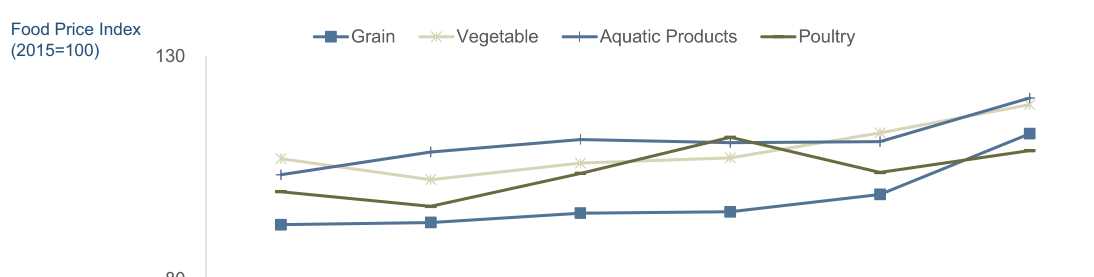
Management Capability: Most agricultural food product processors and snack food manufacturers aim to expand from a local or regional enterprise to a national enterprise to raise brand awareness and thereby to improve their market penetration across the country. In order to manage different wholesalers and regional teams, systematic management capability is indispensable. Effectively optimising the distribution channels and team structure through regular online or offline inspection, staff training and evaluation, and other methods of management operation is necessary to establish a foothold in the competitive agricultural food product processing industry and snack food market in China.

COST ANALYSIS

Major Raw Materials

The Group's major raw materials include grains, vegetables, aquatic products and poultry. Most 2015-based price indexes (year of 2015 = 100) of these raw materials have been increasing during the past several years.

Price Index of the Group's Major Raw Material (China), 2016-2021



	2016	2017	2018	2019	2020	2021
Grain	92.2	92.7	94.8	95.1	99.0	112.6
Vegetable	107.0	102.3	106.0	107.2	112.8	119.1
Aquatic Products	103.4	108.5	111.3	110.6	110.8	120.6
Poultry	99.6	96.3	103.7	111.8	103.9	108.8

Source: Frost & Sullivan

In the following years, in line with the growing economy and rising income level in China, the price index of grains, vegetables, aquatic products and poultry is likely to show an upward trend.

Labour Cost

Labour cost usually accounts for the largest part of total cost of agricultural food product processors. The average annual salary of employees in manufacturing industry in Jiangxi Province has increased from RMB37,500 per year in 2016 to RMB55,200 per year in 2021, representing a CAGR of 8.0%. Going forward, in line with the development of macro economy, the average annual salary of employees in the manufacturing industry in Jiangxi Province is expected to increase with a CAGR of 6.7% from 2021 to 2026.

SOURCE OF INFORMATION

In connection with the **[REDACTED]**, we have engaged Frost & Sullivan, an Independent Third Party, to conduct a study of China's (i) agricultural food product processing industry and (ii) snack food industry. Founded in 1961, Frost & Sullivan has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. We agreed to pay Frost & Sullivan a fee of RMB570,000 for the preparation of the Frost & Sullivan Report. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan conducted primary research that involved discussing the status of the industry with industry participants and industry experts, as well as secondary research that involved reviewing company reports, independent research reports and Frost & Sullivan's own database.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; (iii) market drivers like accelerating urbanisation process, rising purchasing power of Chinese consumers, upgrading consumption trend, increasing health awareness are likely to drive the growth of China's agricultural food product processing market and snack food market; and (iv) the COVID-19 pandemics will be under effective control in the PRC along with government's quarantine and prevention measures and do not affect the long-term economy development of the PRC.

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China.

FOOD SAFETY

According to the Food Safety Law of the PRC(《中華人民共和國食品安全法》) (the "**Food Safety Law**"), as promulgated by the Standing Committee of the National People's Congress(the "**NPCSC**") on 28 February 2009, took effective on 1 June 2009 and amended on 24 April 2015, 29 December 2018 and 29 April 2021, and Implementing Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) ("**Implementing Regulations of the Food Safety Law**"), passed by the State Council on 20 July 2009 and amended on 6 February 2016 and 1 December 2019, food producers and business operators shall, in accordance with laws, regulations and food safety standards, engage in production and business operation activities, establish a sound food safety management system, and take effective measures to prevent and control food safety risks, thus ensuring food safety.

According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, food safety standards are mandatory standards, other than food safety standards, no food mandatory standard shall be formulated. The health administrative department under the State Council shall, in concert with the food safety administration under the State Council, be responsible for the formulation and release of national food safety standards. The standardization administrative department under the State Council shall provide the reference codes for these national standards. The health administrative department of the State Council shall, in collaboration with the food safety supervision and management department and the agriculture administrative department, etc. of the State Council, develop a national standard plan on food safety and an annual plan for the implementation thereof. For local special foods without national food safety standards, the health administrative departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government may formulate and publish local food safety standards and submit the same to the health administrative department under the State Council for filing. After the national food safety standards are formulated, such local standards shall be nullified immediately.

The state encourages food producers to formulate corporate standards that are stricter than the national or local food safety standards. Such corporate standards apply to such producers and shall be reported to the health administrative department of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government for filing. The health administrative departments of the people's governments at the provincial level or above shall promulgate on their respective websites the national and local food safety standards and corporate standards formulated and filed for inquiry and downloading by the public free of charge.

Under the Standardization Law of the PRC (《中華人民共和國標準化法》), which became effective on 1 January 2018, standards relating to the protection of personal health and the safety of persons and property, as well as standards imposed by other laws and regulations, are classified as "mandatory standards". Food hygiene standards are part of mandatory standards.

As of the date of this document, according to our PRC Legal Advisers, we believe that we fully comply with the Food Safety Law in China.

FOOD PRODUCTION AND TRADING LICENSE

According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, the State implements a licensing system for the food production and trading. However, no license is required for the sale of edible agricultural products. For packaging materials with direct contact with food and other food-related products with higher risks, the production licensing shall be implemented in accordance with the relevant administrative provisions of the State on production licenses for industrial products.

Pursuant to the Administrative Measures of Food Production Licensing (《食品生產許可管理辦法》) promulgated by the State Administration for Market Regulation on 2 January 2020 and took effect on 1 March 2020, the food production license is valid for five years and is subject to the "one entity, one license" principle.

Pursuant to the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was promulgated by the China Food and Drug Administration(the "**CFDA**") on 31 August 2015, took effect on 1 October 2015 and was latest amended on 17 November 2017, entities engaging in food selling and catering services in the PRC shall obtain a food operation license. The principle of one license for one site shall apply to the food operation license. Food and drug administrative authorities shall implement classified licensing for food operation according to food operators' types and the degree of risk of their operation projects. The food operation license is valid for five years.

According to our PRC Legal Advisers, as of the date of this document, our operating entities have timely received all required food production licenses and food operation licenses from the authorities.

FOOD LABELLING MANAGEMENT

According to the Food Safety Law and the General Principles of Prepackaged Food Labeling of GB 7718-2011 National Food Safety Standard (GB 7718-2011《食品安全國家標準預包裝食品標簽通則》), packaged food shall be labeled. The labels shall include the following items: (1)

name, specification, net weight, and production date; (2) content or ingredient table; (3) name, address, and contact information of the producer; (4) best before date; (5) the standards code of the product; (6) storage conditions; (7) generic names of food additives used under the national standards; (8) the production license number; and (9) other items that are required by laws, regulations and food safety standards. Major nutrition facts and contents shall be specified on the labels of staple foods and supplementary foods exclusively for infants and other designated groups. Where national food safety standards have otherwise provisions on label matters, those provisions shall prevail. Food operators shall sell food in accordance with warning marks, warning specifications or cautions stated on labels thereof.

PERSONNEL HEALTH MANAGEMENT SYSTEM

In accordance with the Food Safety Law, food producers and operators shall establish and implement a personnel health management system. The personnel suffering from disease that affects food safety according to the regulations of the health administration department under the State Council shall not engage in work that involves contact with ready-to-eat food. The personnel who engage in work that involves contact with ready-to-eat food shall have physical check-up each year and shall obtain healthy certificates prior to working.

THE USE OF FOOD ADDITIVES

According to the Food Safety Law, the use of food additives, unless absolutely necessary and proved by risk assessments to be harmless to health, should be completely avoided. The health administrative agencies of the State Council require that the standards regarding the use of food additives, in particular, the allowable food additives and their scope of applications and dosage levels, should be updated in a timely manner on the basis of technical requirements and the results of food safety risk analysis. Food manufacturers should use food additives in accordance with such standards regarding the allowable food additives and their scope of applications and dosage levels and may not use any chemical other than food additives that might be injurious to health.

When purchasing raw materials, food additives and food-related products in order to produce food, the food manufacturers should examine the licenses and qualification documents of their suppliers. In case the suppliers are unable to furnish the qualification documents, the food manufacturers should inspect the products provided by such suppliers in accordance with the standards regarding food safety. The food manufacturers may not purchase or use raw materials, food additives or food-related products that are not compliant with the food safety standards. The food manufacturers shall inspect raw materials, food additives or food-related products they purchase for the production of food and keep for at least two years records of the names, volumes, specifics, date of purchase, and names and contacts of the suppliers thereof, among other relevant information.

FOOD INSPECTION

According to the Food Safety Law and its implementation regulations, China has implemented an inspection system relating to food production and operation. The food safety supervision and administration department of a people's government at or above the county level shall, on a regular or unscheduled basis, conduct sampling inspections of food and publish the inspection results according to the relevant provisions, and shall not exempt any food from such inspection. A food production enterprise may itself inspect the food produced by it or employ a food inspection institution that satisfies the requirements of the relevant laws and regulations to do so.

PROCUREMENT INSPECTION RECORD SYSTEM AND FOOD PRE-DELIVERY EXAMINATION RECORD SYSTEM

According to the Food Safety Law as well as the Implementing Rules on the Food Safety Law, when purchasing food raw materials, food additives and food-related products, food producers shall check the licenses and food eligibility certification documents of the suppliers. The food raw materials whose eligibility certification documents are unavailable shall be inspected in accordance with the food safety standards; no food certification documents are

THE PACKAGES OF PRE-PACKED FOOD

According to Food Safety Law, the packages of pre-packed food shall bear labels. The labels shall state the following matters, such as name, specifications, net content and date of production; list of ingredients or components; producer's name, address and contact details; shelf life; product standard code; storage conditions; the general name of the food additives uses in the national standards; serial number of food production licenses; and other items that must be indicated according to laws, regulations or food safety standards. The labels of the staple and supplementary food exclusively for infants and babies and other specific groups of people shall also indicate the principal nutritional ingredients and their contents.

FOOD RECALL

In accordance with the Food Safety Law, China has launched a food recall system. According to the Administrative Measures on the Administration of Food Recall (《食品召回管理辦法》), which became effective on 1 September 2015, food recall is divided into three levels, namely, Recall of Level One, Level Two and Level Three, on the basis of the severity of the associated health hazards. The acts of food recall are categorized as "proactive recall" and "ordered recall". In the situations that the food manufacturers or dealers find that the food they manufacture or handle is unsafe, they shall immediately cease production or dealing, and recall and dispose of such unsafe food products pursuant to the foregoing provisions. Non-compliance in this regard will result in the food manufacturers or dealers being subject to warnings from or fines or other administrative penalties imposed by the food and drug regulatory authorities.

PRODUCT QUALITY AND PRODUCT LIABILITY

Product Quality

In accordance with the Product Quality Law of the PRC《(中華人民共和國產品質量法)》(the "**Product Quality Law**"), as promulgated by the NPCSC on 22 February 1993, took effective on 1 September 1993 and last amended on 29 December 2018, producers and sellers are liable for the quality of the products they produce or sell. Where anyone produces or sells products that do not comply with the relevant national or industrial standards and requirements safeguarding the health and safety of persons and property, they shall be ordered by the relevant authorities to stop production and/or sale of the products; the products illegally produced and/or sold shall be confiscated; a fine not less than the equivalent of, but not more than three times, the value of the products illegally produced or sold (including those already sold and those not yet sold, hereinafter the same)shall be imposed concurrently; if there are illegal proceeds, such proceeds shall be confiscated concurrently; if the circumstances are serious, the business license shall be revoked. If the case constitutes a crime, criminal liability shall be investigated in accordance with the law.

PROTECTION OF CONSUMER RIGHTS AND INTERESTS

The Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), as passed by the NPCSC on 31 October 1993 and last amended on 25 October 2013 contains the code of conduct for business operators when dealing with consumers, including but not limited to: (i) the goods and services shall comply with the Product Quality Law and other relevant laws and regulations; (ii) accurate information about the goods and services and the quality and use of such goods and services; (iii) issue invoice shopping vouchers or service documents to consumers in accordance with relevant national regulations, business practices or at the request of consumers; (iv) ensure that the actual quality and function of the goods or services are consistent with the quality of the goods or services indicated by advertising data, product descriptions, samples or other means; (v) assume responsibility for repair, replacement, refund or other liability under national regulations or any agreement with consumers; and (vi) not to create terms that are unreasonable or unfair to consumers, or exempt themselves from civil liability when they damage consumers' legitimate rights and interests.

REGULATIONS RELATED TO FOREIGN INVESTMENT

The establishment, operation and management of companies in China are mainly governed by the PRC Company Law, as most recently amended in 2018, which applies to both PRC domestic companies and foreign-invested companies. On 15 March 2019, the National People's Congress approved the Foreign Investment Law, and on 26 December 2019, the State Council promulgated the Implementing Rules of the PRC Foreign Investment Law, or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on 1 January 2020 and replaced three major previous laws on foreign investments in China, namely, the Sino-foreign Equity Joint Venture Law, the Sino-foreign Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their respective implementing rules. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

The Foreign Investment Law and the Implementing Rules provide that a system of pre-entry national treatment and negative list shall be applied for the administration of foreign investment, where "pre-entry national treatment" means that the treatment given to foreign investors and their investments at market access stage is no less favorable than that given to domestic investors and their investments, and "negative list" means the special administrative measures for foreign investment's access to specific fields or industries, which will be proposed by the competent investment department of the State Council in conjunction with the competent commerce department of the State Council and other relevant departments, and be reported to the State Council for promulgation, or be promulgated by the competent investment department or competent commerce department of the State Council after being reported to the State Council for approval. Foreign investment beyond the negative list will be granted national treatment. Foreign investors shall not invest in the prohibited fields as specified in the negative list, and foreign investors who invest in the restricted fields shall comply with the special requirements on the shareholding, senior management personnel, etc. In the meantime, relevant competent government departments will formulate a catalogue of industries for which foreign investments are encouraged according to the needs for national economic and social development, to list the specific industries, fields and regions in which foreign investors are encouraged and guided to invest. The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out in two categories, namely the Special Entry Management Measures (Negative List) for the Access of Foreign Investment (2021 version), or the 2021 Negative List, promulgated by the National Development and Reform Commission and the Ministry of Commerce, or the MOFCOM, on 27 December 2021 and took effect on 1 January 2022, and the Encouraged Industry Catalogue for Foreign Investment (2020 version), or the 2020 Encouraged Industry Catalogue, promulgated by the MOFCOM on 27 December 2020 and took effect on 27 January 2021. Industries not listed in these two categories are generally deemed "permitted" for foreign investment unless specifically restricted by other PRC laws. The healthcare industry is not on the Negative List and therefore we are not subject to any restriction or limitation on foreign ownership.

According to the Implementing Rules, the registration of foreign-invested enterprises shall be handled by the SAMR or its authorized local counterparts. Where a foreign investor invests in an industry or field subject to licensing in accordance with laws, the relevant competent government department responsible for granting such license shall review the license application of the foreign investor in accordance with the same conditions and procedures applicable to PRC domestic investors unless it is stipulated otherwise by the laws and administrative regulations, and the competent government department shall not impose discriminatory requirements on the foreign investor in terms of licensing conditions, application materials, reviewing steps and deadlines, etc. However, the relevant competent government departments shall not grant the license or permit enterprise registration if the foreign investor intends to invest in the industries or fields as specified in the negative list without satisfying the relevant requirements. In the event that a foreign investor invests in a prohibited field or industry as specified in the negative list, the relevant competent government department shall order the foreign investor to stop the investment activities, dispose of the shares or assets or take other necessary measures within a specified time limit, and restore to the status prior to the occurrence of the aforesaid investment, and the illegal gains, if any, shall be confiscated. If the investment activities of a foreign investor violate the special administration measures for access restrictions on foreign investments as stipulated in the negative list, the relevant competent government department shall order the investor to make corrections within the specified time limit and take necessary measures to meet the relevant requirements. If the foreign investor fails to make corrections within the specified time limit, the aforesaid provisions regarding the circumstance that a foreign investor invests in the prohibited field or industry shall apply.

Pursuant to the Foreign Investment Law and the Implementing Rules, and the Information Reporting Measures for Foreign Investment jointly promulgated by the MOFCOM and the SAMR, which took effect on 1 January 2020, a foreign investment information reporting system shall be established and foreign investors or foreign-invested enterprises shall report investment information to competent commerce departments of the government through the enterprise registration system and the enterprise credit information publicity system, and the administration for market regulation shall forward the above investment information to the competent commerce departments in a timely manner. In addition, the MOFCOM shall set up a foreign investment information reporting system to receive and handle the investment information and inter-departmentally shared information forwarded by the administration for market regulation in a timely manner. The foreign investors or foreign-invested enterprises shall report the investment information by submitting reports including initial reports, change reports, deregistration reports and annual reports.

Furthermore, the Foreign Investment Law provides that foreign-invested enterprises established according to the previous laws regulating foreign investment prior to the implementation of the Foreign Investment Law may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law. The Implementing Rules further clarify that such foreign-invested enterprises established prior to the implementation of the Foreign Investment Law may either adjust their organizational forms or organizational structures pursuant to the Company Law or the Partnership Law, or maintain their current structure and corporate governance within five years upon the implementation of the Foreign Investment Law. Since 1 January 2025, if a foreign-invested enterprise fails to adjust its organizational form or organizational structure in accordance with the laws and go through the applicable registrations for changes, the relevant administration for market regulation shall not handle other registrations for such foreign-invested enterprise and shall publicize the relevant circumstances. However, after the organizational forms or organizational structures of a foreign-invested enterprise have been adjusted, the original parties to the Sino-foreign equity or cooperative joint ventures may continue to process such matters as the equity interest transfer, the distribution of income or surplus assets as agreed by the parties in the relevant contracts.

In addition, the Foreign Investment Law and the Implementing Rules also specify other protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; mandatory technology transfer is prohibited, etc.

According to our PRC Legal Advisers, as of the date of this document, neither we nor any of our operating subsidiaries has been subject to any investigation, or receive any notice, warning, or sanction from relevant government authorities related to non-compliance with the PRC Company Law or foreign investment laws.

REGULATIONS ON DIVIDEND DISTRIBUTIONS

The principal laws, rule and regulations governing dividends distribution by companies in the PRC are the PRC Company Law, which applies to both PRC domestic companies and foreign-invested companies, and the Foreign Investment Law and its implementing rules, which apply to foreign-invested companies. Under these laws, regulations and rules, both domestic companies and foreign-invested companies in the PRC are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS RELATING TO LEASING

Pursuant to the Law on Administration of Urban Real Estate which took effect in January 1995 with the latest amendment in August 2019, lessors and lessees are required to enter into a written lease contract, containing such provisions as the term of the lease, the use of the premises, liability for rent and repair, and other rights and obligations of both parties.

According to the Civil Code of the PRC, which was enacted by the NPC in May 2020 and took effect on 1 January 2021, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. Where the third party causes any damage to the premises, the lessee should be liable for such damage. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises within the period when the lessee is entitled to possess in accordance with the lease contract, the lease contract between the lessee and the lessor will still remain valid. As of the date of this document, we are not aware of any claim or challenge brought by any third parties concerning the use of the PRC operating subsidiaries leased properties without obtaining proper ownership proof.

Pursuant to the Administrative Measures for Commodity Housing Tenancy issued by the Ministry of Housing and Urban-Rural Development on 1 December 2010 and in effect as of 1 February 2011, the parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent construction (real estate) departments of the municipalities directly under the central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. Our PRC operating subsidiaries lease real properties from third parties, and such lease agreements for these properties have not been registered with the PRC governmental authorities as required by PRC law. Although the failure to do so does not in and of itself invalidate the leases, the PRC operating entities may be ordered by the PRC Government authorities to rectify such noncompliance and, if such noncompliance is not rectified within a given period of time, our PRC operating subsidiaries may be subject to fines imposed by PRC Government authorities ranging from RMB1,000 and RMB10,000 for each lease agreement that has not been registered with the relevant PRC governmental authorities.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

China has adopted comprehensive legislation governing intellectual property rights, including copyrights, trademarks, patents and domain names. China is a signatory to the primary international conventions on intellectual property rights and has been a member of the Agreement on Trade Related Aspects of Intellectual Property Rights since its accession to the World Trade Organization in December 2001.

Copyright

On 7 September 1990, the SCNPC promulgated the Copyright Law of the People's Republic of China, or the Copyright Law, effective on June 1, 1991 and amended on 27 October 2001 and 26 February 2010, respectively. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Center of China.

Under the Regulations on the Protection of the Right to Network Dissemination of Information that took effect on 1 July 2006 and was amended on 30 January 2013, it is further provided that an Internet information service provider may be held liable under various situations, including that if it knows or should reasonably have known a copyright infringement through the Internet and the service provider fails to take measures to remove or block or disconnect links to the relevant content, or, although not aware of the infringement, the Internet information service provider fails to take such measures upon receipt of the copyright holder's notice of such infringement.

In order to further implement the Regulations on Computer Software Protection, promulgated by the State Council on 20 December 2001 and amended on 8 January 2011 and 30 January 2013, respectively, the National Copyright Administration issued the Measures for the Registration of Computer Software Copyright on 20 February 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

Trademark

According to the Trademark Law of the People's Republic of China promulgated by the SCNPC on 23 August 1982, and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019, respectively, the Trademark Office of the SAMR is responsible for the registration and administration of trademarks in China. The SAMR under the State Council has established a Trademark Review and Adjudication Board for resolving trademark disputes. Registered trademarks are valid for ten years from the date the registration is approved. A registrant may apply to renew a registration within twelve months before the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. Renewed registrations are valid for ten years. On 29 April 2014, the State Council issued the revised the Implementing Regulations of the Trademark Law of the People's Republic of China, which specified the requirements of applying for trademark registration and renewal.

Patent

According to the Patent Law of the People's Republic of China, or the Patent Law, promulgated by the SCNPC on 12 March 1984 and amended on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020, respectively, and the Implementation Rules of the Patent Law of the People's Republic of China, or the Implementation Rules of the Patent Law, promulgated by the State Council on 15 June 2001 and revised on 28 December 2002 and 9 January 2010, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective administrative areas. The Patent Law and Implementation Rules of the Patent Law provide for three types of patents, namely "inventions", "utility models" and "designs". Invention patents are valid for twenty years, while utility model patents and design patents are valid for ten years, from the date of application. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third Parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

Domain Names

On 28 May 2012, the China Internet Network Information Center, or the CNNIC, issued the Implementing Rules for Domain Name Registration which took effect on 29 May 2012 setting forth the detailed rules for registration of domain names. On 24 August 2017, the MIIT promulgated the Administrative Measures for Internet Domain Names, or the Domain Name Measures, which took effect on 1 November 2017. The Domain Name Measures regulate the registration of domain names, such as the China's national top-level domain name ".CN". The CNNIC issued the Measures of the China Internet Network Information Center for the Resolution of Country Code Top-Level Domain Name Disputes on 9 September 2014, which took effect on 21 November 2014, pursuant to which domain name disputes shall be accepted and resolved by the dispute resolution service providers as accredited by the CNNIC.

As of the date of this document, to the best of our knowledge, we have legally obtained adequate copyrights, trademarks, patents and domains names to support our operations and, as our business develops, we may need to apply for or obtain more intellectual rights. To the best of our knowledge, neither we, nor any of our operating subsidiaries have infringed, nor have we received any notice of infringement or been subject to any disputes regarding the intellectual property of others since our inception.

REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in China are the Administrative Regulations on Foreign Exchange of the People's Republic of China, or the Foreign Exchange Administrative Regulation, which was promulgated by the State Council on 29 January 1996, which took effect on 1 April 1996 and was subsequently amended on 14 January 1997 and 5 August 2008 and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment which was promulgated by the People's Bank of China, or the PBOC, on 20 June 1996 and took effect on 1 July 1996. Under these regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from State Foreign Exchange Administration of the People's Republic of China, or the SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items such as the repayment of foreign currency-denominated loans, direct investment overseas and investments in securities or derivative products outside of the PRC. FIEs are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC.

On 30 March 2015, SAFE promulgated the Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or the SAFE Circular 19, which took effect on 1 June 2015. According to SAFE Circular 19, the foreign currency capital contribution to an FIE in its capital account may be converted into RMB on a discretional basis.

On 9 June 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts, or the SAFE Circular 16. The SAFE Circular 16 unifies the discretional foreign exchange settlement for all the domestic institutions. The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the discretional foreign exchange settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties in accordance with the Foreign Exchange Administrative Regulation and relevant provisions.

Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by FIEs shall follow the principles of authenticity and self-use within the business scope of the enterprises. The foreign exchange incomes of capital accounts and capital in RMB obtained by the FIE from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations; (iii) used for granting loans to non-affiliated enterprises, unless otherwise permitted by its business scope; and (iv) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

REGULATIONS RELATING TO OFFSHORE SPECIAL PURPOSE COMPANIES HELD BY PRC RESIDENTS

SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents on 10 May 2013, which took effect on 13 May 2013 and which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

SAFE promulgated Notice on Issues Relating to Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles, or the SAFE Circular 37, on 4 July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and term of operation), capital increase or capital reduction, transfers or exchanges of shares, or mergers or divisions. SAFE Circular 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purposes Vehicles.

SAFE further enacted the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, or the SAFE Circular 13, which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with the SAFE Circular 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfil the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary.

On 26 January 2017, SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control, or the SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

REGULATIONS RELATING TO PRIVATE LENDING

The transfer of funds among companies are subject to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases, or the Provisions on Private Lending Cases, which was issued by the Supreme People's Court of the People's Republic of China, or the People's Court, on 25 August 2015 and amended on 19 August 2020 and 29 December 2020, respectively, to regulate the private lending activities between natural persons, legal persons and unincorporated organizations. The Provisions on Private Lending Cases do not apply to the disputes arising from relevant financial services such as loan disbursement by financial institutions and their branches established upon approval by the financial regulatory authorities to engage in lending business.

The Provisions on Private Lending Cases set forth that private lending contracts will be upheld as invalid under the circumstance that (i) the lender swindles loans from financial institutions for relending; (ii) the lender relends the funds obtained by means of a loan from another profit-making legal person, raising funds from its employees, illegally taking deposits from the public; (iii) the lender who has not obtained the lending qualification according to the law lends money to any unspecified object of the society for the purpose of making profits; (iv) the lender lends funds to a borrower when the lender knows or should have known that the borrower intended to use the borrowed funds for illegal or criminal purposes; (v) the lending is violations of public orders or good morals; or (vi) the lending is in violations of mandatory provisions of laws or administrative regulations.

In addition, the Provisions on Private Lending Cases set forth that the People's Court shall support the interest rates not exceeding four times of the market interest rate quoted for one-year loan at the time the private lending contracts were entered into.

REGULATIONS RELATING TO TAXATION

Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China, or the EIT Law, which was promulgated on 16 March 2007, took effect as from 1 January 2008 and amended on 24 February 2017 and 29 December 2018, an enterprise established outside the PRC with de facto management bodies within the PRC is considered as a resident enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The Implementing Rules of the Enterprise Income Law of the People's Republic of China, or the Implementing Rules of the EIT Law, defines a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. Non-PRC resident enterprises without any branches in the PRC pay an enterprise income tax in connection with their income originating from the PRC at the tax rate of 10%.

On 3 February 2015, the PRC State Administration of Taxation, or the SAT, issued the Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises, or the SAT Circular 7. The SAT Circular 7 repeals certain provisions in the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Income from Equity Transfer by Non-Resident Enterprises, or the SAT Circular 698, issued by SAT on December 10, 2009 and the Announcement on Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises issued by SAT on 28 March 2011 and clarifies certain provisions in the SAT Circular 698. The SAT Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including assets of organizations and premises in PRC, immovable property in the PRC, equity investments in PRC resident enterprises), or the PRC Taxable Assets. For instance, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, the SAT Circular 7 allows the Chinese tax authorities to reclassify the indirect transfer of PRC Taxable Assets into a direct transfer and therefore impose a 10% rate of PRC enterprise income tax on the non-resident enterprise. The SAT Circular 7 lists several factors to be taken into consideration by tax authorities in determining if an indirect transfer has a reasonable commercial purpose. However, regardless of these factors, the overall arrangements in relation to an indirect transfer satisfying all the following criteria will be deemed to lack a reasonable commercial purpose: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from PRC Taxable Assets; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or during the one year period before the indirect transfer, 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries and branches that directly or indirectly hold the PRC Taxable Assets are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC Taxable Assets is lower than the potential PRC tax on the direct transfer of those assets. On the other hand, indirect transfers falling into the scope of the safe harbors under the SAT Circular 7 will not be subject to PRC tax under the SAT Circular 7. The safe harbors include qualified group restructurings, public market trades and exemptions under tax treaties or arrangements.

On 17 October 2017, SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or the SAT Circular 37, which took effect on 1 December 2017. According to the SAT Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from the equity transfer, including various income in monetary form and non-monetary form. Equity net value shall mean the tax computation basis for obtaining the said equity. The tax computation basis for equity shall be: (i) the capital contribution costs actually paid by the equity transferor to a Chinese resident enterprise at the time of investment and equity participation, or (ii) the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of the said equity. Where there is reduction or appreciation of value during the equity holding period, and the gains or losses may be confirmed pursuant to the rules of the finance and tax authorities of the State Council, the equity net value shall be adjusted accordingly. When an enterprise computes equity transfer income, it shall not deduct the amount in the shareholders' retained earnings such as undistributed profits etc. of the investee enterprise, which may be distributed in accordance with the said equity. In the event of partial transfer of equity under multiple investments or acquisitions, the enterprise shall determine the costs corresponding to the transferred equity in accordance with the transfer ratio, out of all costs of the equity.

Under the SAT Circular 7 and the Law of the People's Republic of China on the Administration of Tax Collection promulgated by the SCNPC on 4 September 1992 and newly amended on 24 April 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity shall declare and pay tax to the relevant tax authorities within seven days from the occurrence of tax payment obligation. Where the withholding agent does not make the withholding, and the transferor of the equity does not pay the tax payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty of ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with the SAT Circular 7.

According to our PRC Legal Advisers, the applicable EIT rate of our operating entities is 25%, except for certain subsidiaries which enjoyed preferential tax treatment. As of the date of this document, we believe that we fully comply with the EIT Law in China, and we have not received any notifications of any non-compliance from the tax authorities.

Withholding Tax on Dividend Distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the Implementing Rules of the EIT Law which reduced the rate from 20% to 10%, took effect from 1 January 2008. However, a lower withholding tax rate might be applied if there is a tax treaty between China and the jurisdiction of the foreign holding companies, for example, pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the tax authority in charge.

Based on the Notice on Relevant Issues Relating to the Enforcement of Dividend Provisions in Tax Treaties issued on 20 February 2009 by the SAT, if the relevant PRC tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or an arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of the State Administration of Taxation on Issues Concerning "Beneficial Owners" in Tax Treaties, which was promulgated on 3 February 2018 and came into effect on 1 April 2018. If the company's activities do not constitute substantive business activities, it will be analyzed according to the actual situation of the specific case, which may not be conducive to the determination of its "beneficiary owner" capacity, and thus may not enjoy the concessions under the Double Tax Avoidance Arrangement.

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the People's Republic of China, which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, 6 February 2016 and 19 November 2017, and the Implementation Rules for the Interim Regulations on Value-Added Tax of the People's Republic of China, which was promulgated by the MOF on 25 December 1993 and amended on 15 December 2008 and 28 October 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or import of goods within the territory of the PRC shall pay value-added tax, or the VAT. Unless provided otherwise, the rate of VAT is 17% on sales and 6% on the services. On 4 April 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates, or the Circular 32, according to which (i) for VAT taxable sales acts or import of goods originally subject to VAT rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for purchase of agricultural products originally subject to tax rate of 11%, such tax rate shall be adjusted to 10%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, such tax shall be calculated at the tax rate of 12%; (iv) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. Circular 32 took effect on 1 May 2018 and shall supersede existing provisions which are inconsistent with Circular 32.

Since 1 January 2012, the MOF and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax, or the VAT Pilot Plan, which imposes VAT in lieu of business tax for certain "modern service industries" in certain regions and eventually expanded to nation-wide application in 2013. According to the Implementation Rules for the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax released by the MOF and the SAT on the VAT Pilot Program, the "modern service industries" include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. The Notice on Comprehensively Promoting the Pilot Plan of the Conversion of Business Tax to Value-Added Tax, which was promulgated on 23 March 2016, took effect on 1 May 2016, and amended on 11 July 2017, sets out that VAT in lieu of business tax be collected in all regions and industries.

On 20 March 2019, MOF, SAT and GAC jointly promulgated the Announcement on Relevant Policies for Deepening Value-Added Tax Reform, which took effect on 1 April 2019 and provides that (i) with respect to VAT taxable sales acts or import of goods originally subject to VAT rates of 16% and 10% respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) with respect to purchase of agricultural products originally subject to tax rate of 10%, such tax rate shall be adjusted to 9%; (iii) with respect to purchase of agricultural products for the purpose of production or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the tax rate of 10%; (iv) with respect to export of goods and services originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (v) with respect to export of goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%.

According to our PRC Legal Advisers, the applicable VAT rate of our operating entities are 13%, 9% and 0%. As of the date of this document, we have not received any notifications of any non-compliance from the tax authorities.

REGULATIONS RELATING TO EMPLOYMENT

The Labor Contract Law of the People's Republic of China, or the Labor Contract Law, and its implementation rules provide requirements concerning employment contracts between an employer and its employees. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or expiry of the labor contract. Employers in most cases are also required to provide severance payment to their employees after their employment relationships are terminated.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the outstanding social insurance contributions within the deadline and may be liable to a late payment fee which equals to 0.05% of the outstanding amount for each day of delay. The employer also may be liable to a fine from one to three times the amount of the outstanding contributions if it fails to make such payments. According to the Regulations on Management of Housing Fund, an enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; if the enterprise fails to rectify the non-compliance with the stipulated deadline, it be may be subject to a fine ranging from RMB10,000 or RMB50,000 and an application may be made to a local court for compulsory enforcement.

According to our PRC Legal Advisers, the PRC operating subsidiaries have signed labor contracts with all of their employees. However, our PRC operating subsidiaries did not pay social insurance contributions and housing provident fund contributions in full for all of the employees. As of the date of this document, no administrative actions, fines or penalties have been imposed by the relevant PRC Government authorities with respect to such non-compliance, nor has any order been received by our operating entities to settle the outstanding amount of social insurance contributions and housing provident fund contributions.

REGULATIONS RELATING TO OVERSEAS LISTING AND M&A

On 8 August 2006, six PRC regulatory agencies, including the CSRC, promulgated the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors, or the M&A Rules, which took effect on September 8, 2006 and were amended on 22 June 2009. The M&A Rules, among other things, require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC domestic enterprises or individuals to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. In September 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. The CSRC approval procedures require the filing of a number of documents with the CSRC. Although the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this document are subject to the M&A Rules, the interpretation and application of the regulations remain unclear, and this offering may ultimately require approval from the CSRC. If CSRC approval is required, it is uncertain whether it would be possible for us to obtain the approval and any failure to obtain or delay in obtaining CSRC approval for this offering would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies.

The M&A Rules, and other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. According to our PRC Legal Advisers, as of the date of this document, we have not received any notifications of any non-compliance of the M&A Rules.

In addition, according to the Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors issued by the General Office of the State Council on 3 February 2011 and which took effect 30 days thereafter, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors issued by the MOFCOM on 25 August 2011 and which took effect on 1 September 2011, mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the regulations prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement.

On 6 July 2021, the State Council and General Office of the CPC Central Committee issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. On 24 December 2021, the CSRC released the Draft Rules Regarding Overseas Listing, which had a comment period that expired on 23 January 2022. The Draft Rules Regarding Overseas Listing lay out the filing regulation arrangement for both direct and indirect overseas listing, and clarify the determination criteria for indirect overseas listing in overseas markets.

The Draft Rules Regarding Overseas Listing stipulate that the Chinese-based companies, or the issuer, shall fulfill the filing procedures within three business days after the issuer makes an application for initial public offering and listing in an overseas market. The required filing materials for an initial public offering and listing shall include but are not limited to, record-filing report and related undertakings; regulatory opinions, record-filing, approval and other documents issued by competent regulatory authorities of relevant industries (if applicable); and security assessment opinion issued by relevant regulatory authorities (if applicable); PRC legal opinion; and the document. In addition, an overseas offering and listing is prohibited under any of the following circumstances: (1) if the intended securities offering and listing is specifically prohibited by national laws and regulations and relevant provisions; (2) if the intended securities offering and listing may constitute a threat to or endangers national security as reviewed and determined by competent authorities under the State Council in accordance with law; (3) if there are material ownership disputes over the equity, major assets, and core technology, etc. of the issuer; (4) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy, or are currently under judicial investigation for suspicion of criminal offenses, or are under investigation for suspicion of major violations; (5) if, in past three years, directors, supervisors, or senior executives have been subject to administrative punishments for severe violations, or are currently under judicial investigation for suspected criminal offenses, or are under investigation for suspected major violations; or (6) other circumstances as prescribed by the State Council. The Draft Administration Provisions defines the legal liabilities of breaches such as failure in fulfilling filing obligations or fraudulent filing conducts, imposing a fine between RMB1 million and RMB10 million, and in cases of severe violations, a parallel order to suspend relevant business or halt operation for rectification, revoke relevant business permits or operational license.

As advised by our PRC Legal Advisers, as of the date of this document, we and our operating entities have not received any investigation, notice, warning, or sanction from the CSRC or other applicable government authorities related to this **[REDACTED]**. In addition, we and our operating entities have not been involved in any review, investigation, enquiry, penalty, or other legal proceedings initiated by the CSRC or other applicable governmental or regulatory authorities or third parties in relation to this **[REDACTED]**.

HISTORY AND BUSINESS DEVELOPMENT

Our Company acts as the holding company of our Group and was incorporated in the Cayman Islands as an exempted company with limited liability on 31 March 2020. Our history can be traced back to 2002, when our founders, Mr. Yang, together with Mr. Yang Zhenggui, who is Mr. Yang's father, and Mr. Yang Shengyu, who is Mr. Yang's brother, established Jiangxi Zhengwei under the initial name of "Nanchang Zhengwei Trading Company Limited" (南昌市正味貿易有限公司). For further details about Mr. Yang, please refer to the section headed "Directors and Senior Management" in this document.

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 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.

BUSINESS MILESTONES

The following table sets forth key developments and milestones of our Group since our establishment:

Year	Event
2002	Jiangxi Zhengwei was established in the PRC.
2004	We established and developed the "Shengyao (聲耀)" brand in the PRC.
2005	Nanchang Kaixing was established in the PRC.
2011	Our "Shengyao (聲耀)" brand was recognised as the "well-known Trademark in Jiangxi Province" (江西省著名商標) by the Jiangxi Administration for Industry and Commerce, and such recognition was successfully renewed in 2014.
2014	We established and developed the "Gangweifang (贛味坊)" brand in the PRC.
2015	We were approved as Jiangxi Provincial Agricultural Industrialisation Leading Enterprises* (江西省農業產業化省級龍頭企業) by Department of Agricultural Affairs of Jiangxi Province* (江西省農業廳) and Department of Agricultural and Rural Affairs of Jiangxi Province* (江西省農業農村廳), and such recognition was successfully renewed in 2020.

Year	Event
2017	Guangchang Zhenglian was established in the PRC.
	We were accredited as a "High and New Technology Enterprise" (高新技術企業).
	Shares of Jiangxi Zhengwei were quoted on the NEEQ (stock code: 871723).
	We acquired the Guangchang Plant.
	We were awarded 2017 A-grade Cooperative Partners* (2017年度A級合作夥伴) by Jiujiang Liansheng Supermarket Chain Company, Ltd.* (九江聯盛超市連鎖股份有限公司).
2018	We expanded our business into production of instant vegetable snacks.
	Guangchang Zhenglian was approved as "Leading Enterprise of Agricultural Industrialisation of Fuzhoushi" (撫州市農業產業化市級龍頭企業) by Fuzhou Agriculture Bureau* (撫州市農業局).
2019	Jiangxi Zhengwei was delisted from the NEEQ.
	Guangchang Zhenglian was accredited as a "High and New Technology Enterprise" (高新技術企業).
2021	We further expanded our production lines to produce instant meat snacks.

CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands with limited liability on 31 March 2020. Our Company is an investment holding company and will be the proposed **[REDACTED]** company of our Group. Our Group comprises two investment holding companies, namely, Zhengwei International and Zhengwei Group and three operating subsidiaries, namely Jiangxi Zhengwei, Nanchang Kaixing and Guangchang Zhenglian. The following sets forth the major corporate history and shareholding changes.

OUR OPERATING SUBSIDIARIES

Jiangxi Zhengwei

Jiangxi Zhengwei was established in the PRC on 4 January 2002 with an initial registered capital of RMB500,000 under the initial name of "Nanchang Zhengwei Trading Company Limited (南昌市正味貿易有限公司)". On the date of its establishment, Jiangxi Zhengwei was owned by Mr. Yang Zhenggui, who is Mr. Yang's father, Mr. Yang Shengyu, who is Mr. Yang's brother, and Mr. Yang as to 84%, 12% and 4%, respectively. Jiangxi Zhengwei is principally engaged in production and sales of dried food products.

After a series of equity transfer and capital increase since the date of its establishment, at the commencement of the Track Record Period, the registered capital of Jiangxi Zhengwei was RMB13,266,667, and Jiangxi Zhengwei was owned by Mr. Yang, Ms. Lin (the spouse of Mr. Yang), Nanchang Tongli LP, Changnan Fund, Li Hui, Wu Bangjun, Fuzhou Digital Economy, Luo Zikang, Zhao Wenjun, Zheng Yongrong and Lan Hui as to approximately 36.04%, 19.60%, 17.64%, 9.52%, 5.88%, 2.45%, 2.01%, 1.96%, 1.96%, 1.96% and 0.98% respectively.

Listing on and delisting from the NEEQ

In view of the quotation on the NEEQ, pursuant to a shareholders' resolution on 13 December 2016, Jiangxi Zhengwei was transformed into a joint stock company with limited liability in the PRC. On 22 August 2017, Jiangxi Zhengwei was listed on the NEEQ under the stock code of 871723 and with a registered capital of RMB10,000,000. Subsequently, Jiangxi Zhengwei was delisted from the NEEQ on 9 August 2019. Upon the delisting, Jiangxi Zhengwei's registered capital was increased to RMB13,266,667 before the **[REDACTED]** Investment. As confirmed by our PRC Legal Advisers, the delisting of Jiangxi Zhengwei from the NEEQ was duly completed and the necessary approvals have been duly obtained. Based on the closing share price of Jiangxi Zhengwei of RMB15.83 on the last day when it was listed on the NEEQ, its market capitalisation was approximately RMB210,011,339 on that day.

Our Directors confirmed that (i) during the period in which the shares of Jiangxi Zhengwei were listed on the NEEQ, Jiangxi Zhengwei, its subsidiaries and directors were not involved in any breach of the applicable rules or regulations of the NEEQ in all material aspects; and (ii) there has not been any matter that need to be brought to the attention of the regulators and investors in Hong Kong in respect of Jiangxi Zhengwei's listing on and delisting from the NEEQ. Our PRC Legal Advisers are of the view that during the period in which the shares of Jiangxi Zhengwei were listed on the NEEQ, (i) Jiangxi Zhengwei and its subsidiaries had complied with the applicable rules and regulations of the NEEQ in all material aspects; and (ii) to the best of their knowledge, none of the directors of Jiangxi Zhengwei was involved in any breach of the applicable rules or regulations of the NEEQ in all material aspects.

Reasons for delisting from the NEEQ and seeking the* [REDACTED] *on the Stock Exchange

Having considered the following factors:

(i) the NEEQ is a market in the PRC open to qualified investors only, including the followings according to the then applicable Measures for Managing Investors Suitability on NEEQ* (全國中小企業股份轉讓系統投資者適當性管理辦法):

(a) PRC corporate or partnership enterprise investors with paid-up capital of more than RMB5.0 million;

(b) institutional investors, such as asset management products of securities companies, products of fund management companies and their subsidiaries, asset management products of futures companies, bank financial products, insurance products, trust products, private equity funds registered by trade associations, social security fund, pensions such as enterprise annuities, charitable funds and other social welfare funds, Qualified Foreign Institutional Investors, RMB Qualified Foreign Institutional Investors; and

(c) PRC natural persons with average daily financial assets within the latest 10 trading days over RMB5.0 million and experience in investment or financial field for more than two years, or PRC natural persons who have senior management experience in financial institutions.

In addition, the NEEQ adopts a market maker, negotiated transfer or investor competing transfer trading mechanism rather than continuous auction mechanism, which significantly limits investor discovery and order execution;

(ii) the **[REDACTED]** will be in the interests of our Group's future business development strategies, and would be beneficial to us and our Shareholders as a whole given the Stock Exchange, as a leading player of the international financial markets, could offer us direct access to the international capital markets, enhance our fund-raising capabilities and channels and broaden our Shareholders base. Accordingly, the **[REDACTED]** would provide us a viable source of capital to support our business growth;

(iii) the **[REDACTED]** on the Stock Exchange will further raise our business profile and thus, enhance our ability to attract new customers, business partners and strategic investors as well as to recruit, motivate and retain key management personnel for our Group's business; and

(iv) a dual **[REDACTED]** on both the Stock Exchange and the NEEQ would impose extra administrative, accounting and financial burden on us,

our Directors believe it is in the best interests of our Company and Shareholders to delist Jiangxi Zhengwei from the NEEQ and to apply for the **[REDACTED]** in Hong Kong.

Immediately after its delisting on the NEEQ, the registered capital of Jiangxi Zhengwei was approximately RMB13.27 million. Jiangxi Zhengwei became owned by Mr. Yang, Ms. Lin, Nanchang Tongli LP, Changnan Fund, Li Hui, Wu Bangjun, Fuzhou Digital Economy, Luo Zikang, Zhao Wenjun, Zheng Yongrong and Lan Hui as to approximately 36.04%, 19.60%, 17.64%, 9.52%, 5.88%, 2.45%, 2.01%, 1.96%, 1.96%, 1.96% and 0.98% respectively.

Nanchang Kaixing

Nanchang Kaixing was established in the PRC on 28 November 2005 with an initial registered capital of RMB500,000. On the date of its establishment, Nanchang Kaixing was owned by Ms. Lin and Lin Decai, who is the cousin of Mr. Yang, as to 92% and 8%, respectively. Nanchang Kaixing is principally engaged in production and sales of dried food products.

After a series of equity transfer and capital increase, since 30 December 2016 and up to the Latest Practicable Date, Nanchang Kaixing became wholly-owned by Jiangxi Zhengwei with a registered capital of RMB5,000,000.

Guangchang Zhenglian

Guangchang Zhenglian was established in the PRC on 18 September 2017 with an initial registered capital of RMB5,000,000. Since the date of its establishment and up to the Latest Practicable Date, Guangchang Zhenglian had been wholly-owned by Jiangxi Zhengwei. Guangchang Zhenglian is principally engaged in production and sales of instant snacks.

After a series of capital increase, Guangchang Zhenglian had a registered share capital of RMB30,000,000.

[REDACTED] INVESTMENT

Details of the said **[REDACTED]** Investment are summarised as below:

[REDACTED]	Mr. Lei	Mr. Su
Date of the agreement(s)	7 May 2019 and 25 December 2019	29 April 2019 and 27 September 2020
Amount of the consideration	RMB20,033,193.72 (equivalent to approximately HK$23,513,138)	RMB13,157,895 (equivalent to approximately HK$15,443,539)
Basis of the determination of the consideration	The valuation of Jiangxi Zhengwei of approximately RMB250,000,000 based on the net profit of Jiangxi Zhengwei for the year ended 31 December 2018 and the net profit guarantee of not less than 50% for the year ended 31 December 2019	The valuation of Jiangxi Zhengwei of approximately RMB250,000,000 based on the net profit of Jiangxi Zhengwei for the year ended 31 December 2018 and the net profit guarantee of not less than 50% for the year ended 31 December 2019
Settlement date of the consideration	30 December 2019	28 October 2020
Shareholding/equity interest in Jiangxi Zhengwei subscribed	Approximately 7.42%, which later become 7.05% after taking into consideration the **[REDACTED]** Investment by Mr. Su	Approximately 5%
Effective acquisition cost per Share *(Note 1)*	Approximately RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**)	Approximately RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**)

Discount to [REDACTED] of [REDACTED]	A discount to approximately **[REDACTED]**% over the **[REDACTED]** of the indicative **[REDACTED]**	A discount to approximately **[REDACTED]**% over the **[REDACTED]** of the indicative **[REDACTED]**
[REDACTED]	For the purpose of business expansion and development and for general working capital	
Strategic benefits brought to our Group	Strengthening of our capital and shareholder base	
Shareholding in our Company upon [REDACTED] *(Note 2)*	Approximately **[REDACTED]**%	Approximately **[REDACTED]**%
Special rights	Nil	Nil
Lock-up period	Nil	Nil
[REDACTED]	The Shares held by Mr. Lei are regarded as part of the **[REDACTED]** for the purpose of Rule 8.08(1) of the Listing Rules as this investor will not become a **[REDACTED]** of our Company upon **[REDACTED]**	The Shares held by Mr. Su are regarded as part of the **[REDACTED]** for the purpose of Rule 8.08(1) of the Listing Rules as this investor will not become a **[REDACTED]** of our Company upon **[REDACTED]**

Notes:

1. Calculated on the assumption that the **[REDACTED]** and the **[REDACTED]** is completed, but without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme.

2. Calculated without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme.

Investment by Mr. Lei

On 7 May 2019, Jiangxi Zhengwei and Mr. Lei entered into an investment agreement, and subsequently entered into a capital increase and share expansion agreement on 25 December 2019 to confirm the arrangement of the **[REDACTED]** Investment, pursuant to which Mr. Lei agreed to contribute RMB20,033,193.72 to Jiangxi Zhengwei, which was determined after arm's length negotiations with reference to the valuation of Jiangxi Zhengwei of approximately

RMB250,000,000 based on the net profit of Jiangxi Zhengwei for the year ended 31 December 2018 and the net profit guarantee of not less than 50% for the year ended 31 December 2019. The increase in registered capital was paid up on 30 December 2019, among which RMB1,063,333 was credited as registered capital, and the remaining RMB18,969,860.72 was credited as statutory capital reserve. As a result, the registered capital of Jiangxi Zhengwei increased from RMB13,266,667 to RMB14,330,000. Upon completion of the capital increase, Jiangxi Zhengwei was owned by Mr. Yang, Ms. Lin, Nanchang Tongli LP, Changnan Fund, Mr. Lei, Li Hui, Wu Bangjun, Fuzhou Digital Economy, Luo Zikang, Zhao Wenjun, Zheng Yongrong and Lan Hui as to approximately 33.37%, 18.14%, 16.33%, 8.81%, 7.44%, 5.44%, 2.27%, 1.86%, 1.81%, 1.81%, 1.81% and 0.91% respectively.

As part of and upon completion of our Reorganisation, Pluto Universal, an investment holding company wholly-owned by Mr. Lei, became the owner as to approximately 7.05% shareholding in our Company. For details, please refer to the paragraph headed "Reorganisation" below in this section.

Investment by Mr. Su

On 29 April 2019, Jiangxi Zhengwei and Mr. Su entered into an investment agreement, and subsequently entered into a capital increase agreement on 27 September 2020 to confirm the arrangement of the **[REDACTED]** Investment, pursuant to which Mr. Su agreed to contribute RMB13,157,895 to Jiangxi Zhengwei, which was determined after arm's length negotiations with reference to the valuation of Jiangxi Zhengwei of approximately RMB250,000,000 based on the net profit of Jiangxi Zhengwei for the year ended 31 December 2018 and the net profit guarantee of not less than 50% for the year ended 31 December 2019. The increase in registered capital was paid up on 28 October 2020, among which RMB754,000 was credited as registered capital, and the remaining RMB12,403,895 was credited as statutory capital reserve. As a result, the registered capital of Jiangxi Zhengwei increased from RMB14,330,000 to RMB15,084,000 and Jiangxi Zhengwei was converted from a PRC domestic company into a sino-foreign joint venture. Upon completion of the capital increase, Jiangxi Zhengwei was owned by Mr. Yang, Ms. Lin, Nanchang Tongli LP, Changnan Fund, Mr. Lei, Li Hui, Mr. Su, Wu Bangjun, Fuzhou Digital Economy, Zhao Wenjun, Luo Zikang, Zheng Yongrong and Lan Hui as to approximately 31.70%, 17.24%, 15.51%, 8.37%, 7.05%, 5.17%, 5.00%, 2.16%, 1.77%, 1.73%, 1.72%, 1.72% and 0.86% respectively.

As part of and upon completion of our Reorganisation, Vantage Link, an investment holding company wholly-owned by Mr. Su, became the owner as to approximately 5% shareholding in our Company. For details, please refer to the paragraph headed "Reorganisation" below in this section.

Information regarding the [REDACTED]

Mr. Lei and Pluto Universal

Pluto Universal, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 6 March 2020, and is wholly-owned by Mr. Lei. Mr. Lei was introduced to our Group through the introduction by a mutual friend of Mr. Lei and Mr. Yang, and has been one of the directors of Jiangxi Zhengwei since 31 December 2019. Mr. Lei decided to invest in our Group considering the business prospects and growth potential of our Group.

Mr. Lei has over 28 years of experience in the fields of security and education. Prior to joining Jiangxi Zhengwei, Mr. Lei worked at Nanchang Public Security Bureau (南昌市公安局) as a special police officer in September 1993 till October 2007 with his last position as a crime investigation department officer. Mr. Lei was the principal of Leishi Training School (南昌雷式培訓學校) from February 2008 to February 2022 and is currently the chairman of the board of directors of Nanchang Leishi School (南昌市雷式學校) in Nanchang since September 2015.

Mr. Su and Vantage Link

Vantage Link, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 20 February 2014, and is wholly-owned by Mr. Su. Mr. Su was introduced to our Group through the introduction by a mutual friend of Mr. Su and Mr. Yang. Mr. Su decided to invest in our Group considering the business prospects and growth potential of our Group.

Mr. Su has over 20 years of experience in accounting and financial management. He was an executive director and the chief financial officer of Huisen Household International Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2127), from 10 September 2018 to 27 October 2021, who was responsible for the overall financial management and has joined the group of Huisen Household International Group Limited since January 2016. Mr. Su obtained a bachelor's degree in accounting from Xiamen University in July 1993 and a master's degree in accounting from Macquarie University, Australia in September 2010, and then became a certified public accountant of Australia in January 2011.

As at the Latest Practicable Date, save for their investment in our Group, and Mr. Lei being one of the directors of Jiangxi Zhengwei since 31 December 2019, each of Mr. Lei and Mr. Su did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) and did not enter into any agreements, arrangements or understanding with our Group, our Shareholders, Directors or senior management or any of their respective associates, and, to the best knowledge of our Directors having made reasonable enquiry, each of Mr. Lei and Mr. Su is an Independent Third Party.

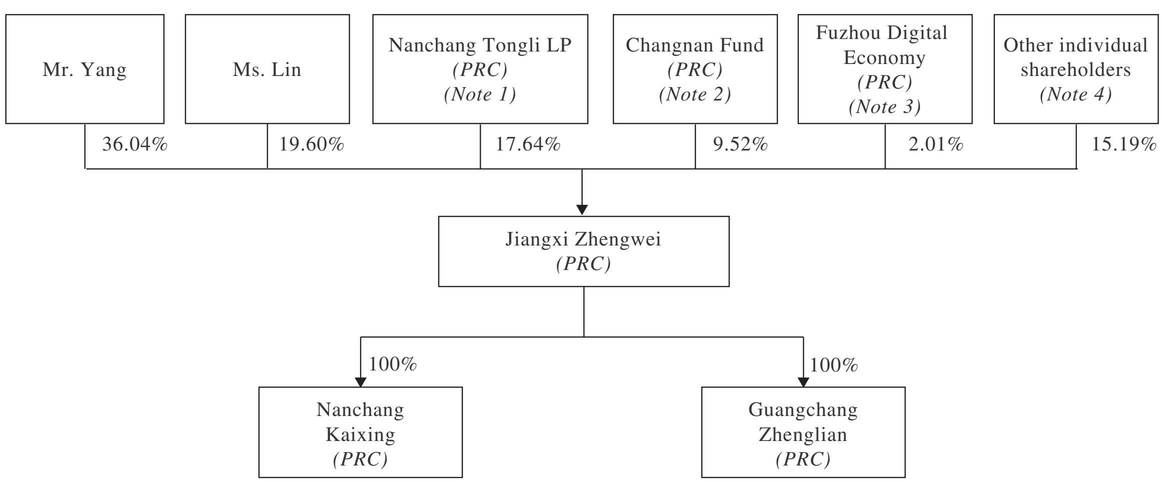
As at the Latest Practicable Date, each of Mr. Lei and Mr. Su did not hold any directorship in public companies whose securities are listed on any securities market in Hong Kong or overseas.

View of the Sole Sponsor

The Sole Sponsor is of the view that the **[REDACTED]** Investment is in compliance with the Guidance Letters issued by the Stock Exchange, namely HKEx-GL43-12 (issued in October 2012 and updated in July 2013 and March 2017) and HKEx-GL29-12 (issued in January 2012 and updated in March 2017), as (i) the consideration payable under the **[REDACTED]** Investment was fully settled more than 28 clear days prior to the date of the first submission of the **[REDACTED]** application to the Stock Exchange in relation to the **[REDACTED]**; and (ii) no special rights were granted to the **[REDACTED]** that will survive the **[REDACTED]** in respect of the **[REDACTED]** Investment. The Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and updated in March 2017 is not applicable to the **[REDACTED]** Investment as no convertible instrument was issued.

REORGANISATION

The following chart sets forth our corporate structure immediately before the **[REDACTED]** Investment and the Reorganisation:



Notes:

(1) Nanchang Tongli LP is a limited partnership established under the laws of the PRC, which is controlled and managed by Mr. Yang as the general partner.

(2) Changnan Fund is a limited liability company established under the laws of the PRC, which is ultimately wholly-owned by Nanchang Science Industry and Information Technology Bureau (南昌縣科技和工業信息化局).

(3) Fuzhou Digital Economy is a company established under the laws of the PRC, which is wholly-owned by Fuzhou State-owned Assets Supervision and Administration Commission (撫州市國有資產監督管理委員會).

(4) These include the aggregate personal interests of (i) Mr. Li Hui, who is an executive Director of the Company, as to approximately 5.88%, and (ii) Mr. Wu Bangjun, Mr. Luo Zikang, Mr. Zhao Wenjun, Mr. Zheng Yongrong and Mr. Lan Hui, who are all Independent Third Parties (with Mr. Lan Hui being a former employee of Jiangxi Zhengwei), as to approximately 2.45%, 1.96%, 1.96%, 1.96% and 0.98% respectively.

In preparation for the **[REDACTED]** and as part of the Reorganisation, we carried out the following steps:

1. Incorporation of Shengyao Investment, Trendy Peak, Prosperous Season, Best Talent, Chang Nan Financial, Pluto Universal, Mass Jovial, Cheerly Success and Vantage Link

Shengyao Investment

Shengyao Investment, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 4 March 2020. On the date of its incorporation, 50,000 shares of par value of US$1.00 were allotted and issued to Mr. Yang. Since then and up to the Latest Practicable Date, Shengyao Investment had been wholly-owned by Mr. Yang.

Trendy Peak

Trendy Peak, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 4 March 2020. On the date of its incorporation, 50,000 shares of par value of US$1.00 were allotted and issued to Ms. Lin. Since then and up to the Latest Practicable Date, Trendy Peak had been wholly-owned by Ms. Lin.

Prosperous Season

Prosperous Season, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 6 March 2020. On the date of its incorporation, 50,000 shares of par value of US$1.00 were allotted and issued to Nanchang Tongli LP. Since then and up to the Latest Practicable Date, Prosperous Season had been wholly-owned by Nanchang Tongli LP, a limited partnership which is controlled and managed by Mr. Yang as the general partner, who held approximately 0.43% of the interest in Nanchang Tongli LP. The limited partners of Nanchang Tongli LP comprise 20 PRC individuals who are Independent Third Parties, and amongst which seven of them are employees of Jiangxi Zhengwei. No limited partners held 30% or more of the interest in Nanchang Tongli LP.

Best Talent

Best Talent, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 4 March 2020. On the date of its incorporation, 28,570, 11,905 and 9,525 shares of par value of US$1.00 were allotted and issued to Mr. Li Hui, Mr. Wu Bangjun and Mr. Luo Zikang, respectively. Since then and up to the Latest Practicable Date, Best Talent had been owned by Mr. Li Hui, Mr. Wu Bangjun and Mr. Luo Zikang as to 57.14%, 23.81% and 19.05%, respectively.

Chang Nan Financial

Chang Nan Financial, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 16 March 2020. On the date of its incorporation, 50,000 shares of par value of US$1.00 were allotted and issued to Changnan Fund. Since then up to the Latest Practicable Date, Chang Nan Financial had been wholly-owned by Changnan Fund, which is ultimately wholly-owned by Nanchang Science Industry and Information Technology Bureau* (南昌縣科技和工業信息化局).

Pluto Universal

Pluto Universal, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 6 March 2020. On the date of its incorporation, 50,000 shares of par value of US$1.00 were allotted and issued to Mr. Lei. Since then up to the Latest Practicable Date, Pluto Universal had been wholly-owned by Mr. Lei.

Mass Jovial

Mass Jovial, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 16 March 2020. On the date of its incorporation, 20,000, 20,000 and 10,000 shares of par value of US$1.00 were allotted and issued to Mr. Zhao Wenjun, Mr. Zheng Yongrong and Mr. Lan Hui respectively. Since then and up to the Latest Practicable Date, Mass Jovial had been owned by Mr. Zhao Wenjun, Mr. Zheng Yongrong and Mr. Lan Hui as to 40%, 40% and 20% respectively.

Cheerly Success

Cheerly Success, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 6 March 2020. On the date of its incorporation, 50,000 shares of par value of US$1.00 were allotted and issued to

Fuzhou Digital Economy. Since then and up to the Latest Practicable Date, Cheerly Success had been owned by Fuzhou Digital Economy, which is wholly-owned by Fuzhou State-owned Assets Supervision and Administration Commission* (撫州市國有資產監督管理委員會).

Vantage Link

Vantage Link, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 20 February 2014. On 18 March 2014, 50,000 shares of par value of US$1.00 each were allotted and issued to Mr. Su. Since then up to the Latest Practicable Date, Vantage Link had been wholly-owned by Mr. Su.

2. Incorporation of our Company, Zhengwei International and Zhengwei Group

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 March 2020, with an initial authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each, of which one share was allotted and issued to the initial subscriber, which was then transferred to Shengyao Investment on the same day.

On the same day, 16,684, 9,070, 8,165, 4,765, 4,405, 3,710, 2,270, and 930 shares, all of which with a par value of US$1.00 each, were allotted and issued to Shengyao Investment, Trendy Peak, Prosperous Season, Best Talent, Chang Nan Financial, Pluto Universal, Mass Jovial and Cheerly Success respectively. Upon completion of the said allotment and issue, our Company was owned by Shengyao Investment, Trendy Peak, Prosperous Season, Best Talent, Chang Nan Financial, Pluto Universal, Mass Jovial, and Cheerly Success as to 33.37%, 18.14%, 16.33%, 9.53%, 8.81%, 7.42%, 4.54% and 1.86% respectively.

Zhengwei International

Zhengwei International, an investment holding company, was incorporated as a BVI business company with liability limited by shares incorporated under the laws of the BVI on 21 April 2020. On the date of its incorporation, 50,000 shares of par value of US$1.00 was allotted and issued to our Company. Since then and up to the Latest Practicable Date, Zhengwei International had been wholly-owned by our Company.

Zhengwei Group

Zhengwei Group, an investment holding company, was incorporated as a limited liability company under the laws of Hong Kong on 12 May 2020. On the date of its incorporation, 10,000 ordinary shares were allotted and issued to Zhengwei International. Since then and up to the Latest Practicable Date, Zhengwei Group had been wholly-owned by Zhengwei International.

3. Increase of authorised share capital and subscription of Shares in our Company by Vantage Link

On 3 November 2020, the authorised share capital of the Company was increased from US$50,000 divided into 50,000 shares of a par value of US$1 each to US$100,000 divided into 100,000 shares of a par value of US$1 each by the creation of an additional 50,000 shares. On 3 November 2020, our Company and Vantage Link entered into a subscription agreement, pursuant to which our Company allotted and issued 2,632 shares to Vantage Link at the nominal consideration of US$2,632. Upon completion of the said allotment, issue and subscription of shares, our Company became owned by Shengyao Investment, Trendy Peak, Prosperous Season, Best Talent, Chang Nan Financial, Pluto Universal, Vantage Link, Mass Jovial and Cheerly Success as to 31.70%, 17.24%, 15.51%, 9.05%, 8.37%, 7.05%, 5.00%, 4.31% and 1.77% respectively.

4. Acquisition of Jiangxi Zhengwei by Zhengwei Group

On 1 June 2022 and 2 June 2022 respectively, each of Mr. Yang, Ms. Lin, Nanchang Tongli LP, Changnan Fund, Mr. Lei, Li Hui, Mr. Su, Wu Bangjun, Fuzhou Digital Economy, Zhao Wenjun, Luo Zikang, Zheng Yongrong and Lan Hui entered into separate equity transfer agreements to transfer their respective equity interest of 31.70%, 17.24%, 15.51%, 8.37%, 7.05%, 5.17%, 5.00%, 2.16% 1.77%, 1.73%, 1.72%, 1.72% and 0.86% in Jiangxi Zhengwei to Zhengwei Group at the aggregate nominal consideration of RMB1.00. The above transfer was completed and such consideration was fully settled on 8 June 2022. Upon completion of the said transfer, Jiangxi Zhengwei became wholly-owned by Zhengwei Group. As advised by our PRC Legal Advisers, the transfer was properly and legally completed and all applicable regulatory approval in the PRC had been obtained.

5. Share Subdivision

On 20 June 2022, pursuant to the written resolutions passed by our then Shareholders, each of the issued and unissued shares of a par value of US$1.0 in the share capital of our Company was subdivided into 100 Shares of a par value of US$0.01 each. As a result, the authorised share capital of our Company shall be US$100,000 divided into 10,000,000 Shares of a par value of US$0.01 each.

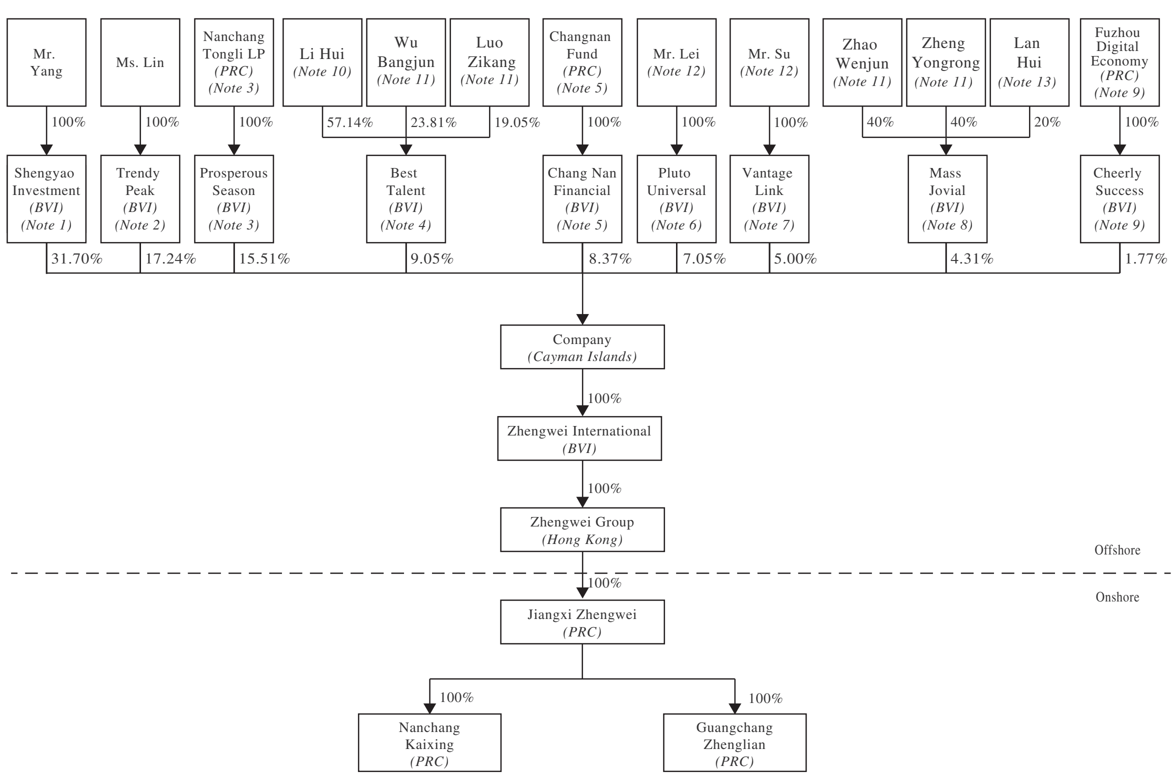
The steps and the transfer mentioned above were legally and properly completed and settled. Our Reorganisation was completed on 20 June 2022.

COMPLIANCE WITH PRC LAWS

Our PRC Legal Advisers have confirmed that all necessary approvals and permits required under PRC laws and regulations in connection with the Reorganisation have been obtained and the Reorganisation is in compliance with relevant PRC laws and regulations.

GROUP STRUCTURE IMMEDIATELY AFTER THE REORGANISATION

The following chart sets forth our corporate structure immediately after the Reorganisation and prior to the **[REDACTED]**:



Notes:

(1) Shengyao Investment is a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Yang.

(2) Trendy Peak is a company incorporated in the BVI with limited liability, which is wholly-owned by Ms. Lin.

(3) Prosperous Season is a company incorporated in the BVI with limited liability and wholly-owned by Nanchang Tongli LP, which is controlled and managed by Mr. Yang as the general partner.

(4) Best Talent is a company incorporated in the BVI with limited liability, which is owned as to 57.14%, 23.81% and 19.05% by Mr. Li Hui, Mr. Wu Bangjun and Mr. Luo Zikang, respectively.

(5) Chang Nan Financial is a company incorporated in the BVI with limited liability, which is wholly-owned by Changnan Fund, a limited liability company established under the laws of the PRC and is ultimately wholly-owned by Nanchang Science Industry and Information Technology Bureau (南昌縣科技和工業信息化局).

(6) Pluto Universal is a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Lei.

(7) Vantage Link is a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Su.

(8) Mass Jovial is a company incorporated in the BVI with limited liability, which is owned as to 40%, 40% and 20% by Mr. Zhao Wenjun, Mr. Zheng Yongrong and Mr. Lan Hui, respectively.

(9) Cheerly Success is a company incorporated in the BVI with limited liability, which is wholly-owned by Fuzhou Digital Economy, a company established under the laws of the PRC and is wholly-owned by Fuzhou State-owned Assets Supervision and Administration Commission (撫州市國有資產監督管理委員會).

(10) Mr. Li Hui is an existing employee of the Group and one of the executive Directors.

(11) Each of Mr. Wu Bangjun, Mr. Luo Zikang, Mr. Zhao Wenjun and Mr. Zheng Yongrong is an Independent Third Party.

(12) Mr. Lei and Mr. Su are the **[REDACTED]** of the Company, save for their investment in the Group and Mr. Lei being one of the directors of Jiangxi Zhengwei since 31 December 2019, each of them is an Independent Third Party.

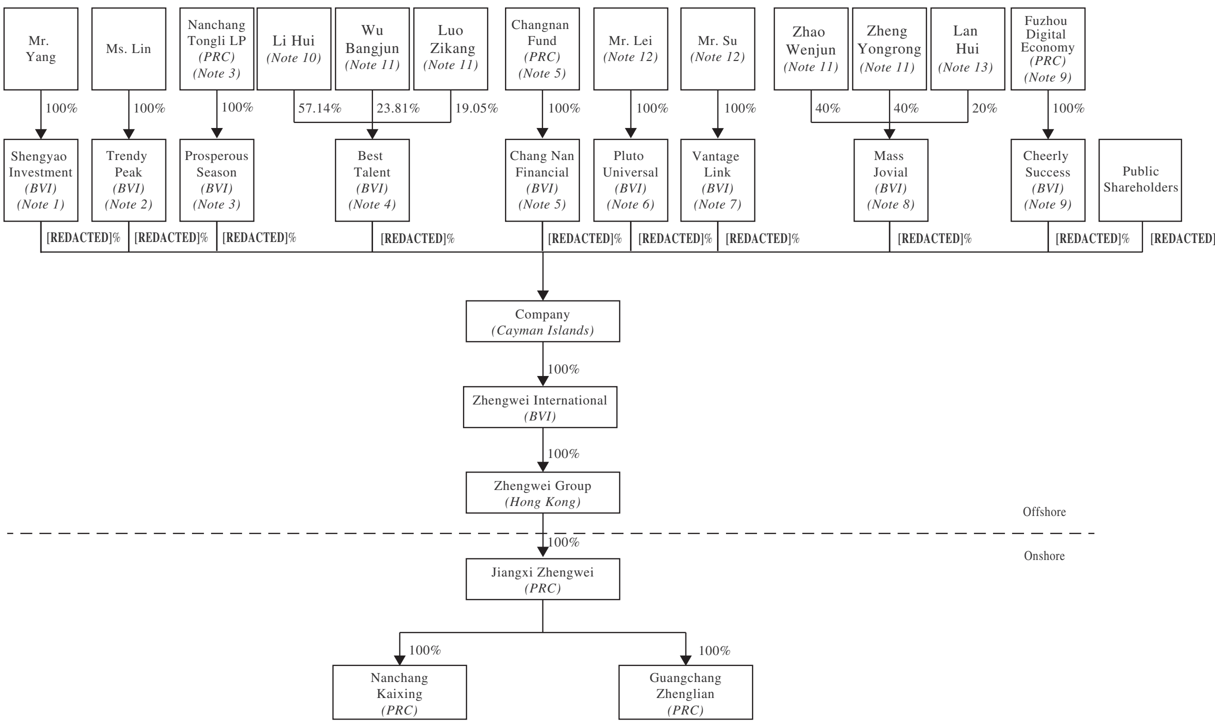
(13) Mr. Lan Hui is a former employee of the Group and an Independent Third Party.

[REDACTED] and the [REDACTED]

Conditional upon the crediting of our Company's share premium account as a result of the issue of the **[REDACTED]** pursuant to the **[REDACTED]**, our Directors were authorised to allot and issue a total of **[REDACTED]** Shares credited as fully paid at par to our Shareholders whose names appear on the register of members of our Company, immediately prior to the **[REDACTED]**, in proportion to their then respective shareholdings by way of capitalisation of the sum of US$**[REDACTED]** standing to the credit of the share premium account of our Company and such Shares to be allotted and issued pursuant to the **[REDACTED]** shall carry the same rights as all Shares in issue or to be issued.

GROUP STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]

The following chart sets forth our corporate structure immediately after completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):



Notes:

(1) Shengyao Investment is a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Yang.

(2) Trendy Peak is a company incorporated in the BVI with limited liability, which is wholly-owned by Ms. Lin.

(3) Prosperous Season is a company incorporated in the BVI with limited liability, which is wholly-owned by Nanchang Tongli LP, which is controlled and managed by Mr. Yang as the general partner.

(4) Best Talent is a company incorporated in the BVI with limited liability, which is owned as to 57.14%, 23.81% and 19.05% by Mr. Li Hui, Mr. Wu Bangjun and Mr. Luo Zikang, respectively.

(5) Chang Nan Financial is a company incorporated in the BVI with limited liability, which is wholly-owned by Changnan Fund, a limited liability company established under the laws of the PRC and is ultimately wholly-owned by Nanchang Science Industry and Information Technology Bureau (南昌縣科技和工業信息化局).

(6) Pluto Universal is a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Lei.

(7) Vantage Link is a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Su.

(8) Mass Jovial is a company incorporated in the BVI with limited liability, which is owned as to 40%, 40% and 20% by Mr. Zhao Wenjun, Mr. Zheng Yongrong and Mr. Lan Hui, respectively.

(9) Cheerly Success is a company incorporated in the BVI with limited liability, which is wholly-owned by Fuzhou Digital Economy, a company established under the laws of the PRC and is wholly-owned by Fuzhou State-owned Assets Supervision and Administration Commission* (撫州市國有資產監督管理委員會).

(10) Mr. Li Hui is an existing employee of the Group and one of the executive Directors.

(11) Each of Mr. Wu Bangjun, Mr. Luo Zikang, Mr. Zhao Wenjun and Mr. Zheng Yongrong is an Independent Third Party.

(12) Mr. Lei and Mr. Su are the **[REDACTED]** of the Company, save for their investment in the Group and Mr. Lei being one of the directors of Jiangxi Zhengwei since 31 December 2019, each of them is an Independent Third Party.

(13) Mr. Lan Hui is a former employee of the Group and an Independent Third Party.

The M&A Rules

According to the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investor (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which was jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAMR, the CSRC, and the SAFE on 8 August 2006, and amended on 22 June 2009, "merger and acquisition of domestic enterprises by foreign investors" referred to in the M&A Rules shall mean any of the following where a foreign investor: (i) purchases the equity interest of a shareholder in a domestic non-foreign-invested enterprise (the "**domestic enterprise**"); (ii) subscribes for increased capital of a domestic enterprise so as to convert such domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases and operates the assets of a domestic enterprise by agreement; or (iv) purchases the assets of a domestic enterprise by agreement and then invests such assets to establish a foreign-invested enterprise and operates the assets. According to Article 11 of the M&A Rules, the merger and acquisition of a domestic enterprise with or by a domestic enterprise, enterprise or individual, that has related party relationship with the target company, in the name of an overseas company legitimately incorporated or controlled by the domestic enterprise, enterprise or individual, shall be subject to examination and approval by MOFCOM.

As advised by our PRC Legal Advisers, Article 11 of the M&A Rules does not apply to our Reorganisation, because (i) at the time of acquisition of 5% equity interest in Jiangxi Zhengwei by Mr. Su, Mr. Su was a foreign investor and was independent from Jiangxi Zhengwei and its shareholders; and (ii) in the case of acquisition of 100% equity interest in Jiangxi Zhengwei by Zhengwei Group, Jiangxi Zhengwei was a sino-foreign joint-venture, therefore the acquisition of the equity interests in Jiangxi Zhengwei by Zhengwei Group shall be subject to the relevant laws and regulations concerning the alteration of investor's equities in foreign-invested enterprises rather than the M&A Rules.

ODI approval

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) which was promulgated by the MOFCOM on 6 September 2014 and became effective on 6 October 2014, the Administrative Measures for Overseas Investment by Enterprises (《企業境外投資管理辦法》) which was promulgated by the National Development and Reform Commission on 26 December 2017, and became effective on 1 March 2018, the Circular of SAFE on Further Simplifying and Improving the Direct Investment — related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**Circular 13**") and other rules (collectively, "**ODI Rules**"), a domestic institution is required to undergo relevant procedures for offshore investment prior to its overseas direct investment and obtain relevant record-filing, approval, certificate or permit.

The onshore corporate shareholders have completed the registration/record-filing on 27 May 2022 in accordance with the ODI Rules in relation to their outbound direct investments as domestic institutions.

Circular 37

According to the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or Circular 37, as modified by Circular 13, PRC residents, including PRC individuals, are required to file foreign exchange registration with designated banks before it injects assets or equity interest in an offshore special purpose vehicle which is directly established or indirectly controlled by the PRC residents for the purpose of investment and financing. In addition, in the event that any change of basic information (including PRC resident shareholders, name and operation term) or any change involving material events (including increase or decrease in investment amount, share transfer or exchange, or merger or division) arises in respect of the registered offshore special purpose vehicle, the foreign exchange registration shall be updated.

As advised by our PRC Legal Advisers, all PRC ultimate individual shareholders of our Company, who are PRC residents, have completed the foreign exchange registrations pursuant to Circular 37 and Circular 13 in relation to their offshore investments as PRC residents.

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.

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.

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

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 *(Note)*	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 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 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.

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.

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.

BUSINESS STRATEGIES

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 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

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.

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.

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.

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 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**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
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	297,398	100.0	282,889	100.0	341,998	100.0

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	
	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 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

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
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

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

Dried Delicacies

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
Dried bamboo shoots .		Loose package: RMB81.1/kilogram Per packet (300 grams): RMB49.8	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

Dried aquatic products

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
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

Grains

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
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

Seasonings and others

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
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
Crystalised sugar.		Loose package: RMB12.0/kilogram Per packet (458 grams): RMB5.5 Per packet (2.5 kilograms): RMB27.3	18

OUR PRODUCTION

Production process

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

1 Day	Raw material inspection	• Inspect raw materials delivered by suppliers and remove any broken or defected raw materials
6 Days	Sorting	• Sort raw materials based on size and quantity
	Washing	• Wash and sterilise raw materials
	Slicing	• If applicable, slice raw materials according to our production requirements
	Steaming/braising/baking/ deep frying	• If applicable, processed raw materials are steamed/braised/ baked or deep fried
	Seasoning	• If applicable, our instant snacks are seasoned or salted
	Packaging and sterilisation	• Our instant snacks are weighed, packed and sterilised
	Product inspection	• Our quality control team inspects product quality of our instant snacks
	Warehousing	• Store our instant snacks in our warehouses with temperature and humidity monitoring
	Delivery	• Deliver our instant snacks according to customer orders

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.

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:

		FY2019			FY2020			FY2021		
Production facilities	Production Lines	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 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.

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.

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	
	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 *(Note)*	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.

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

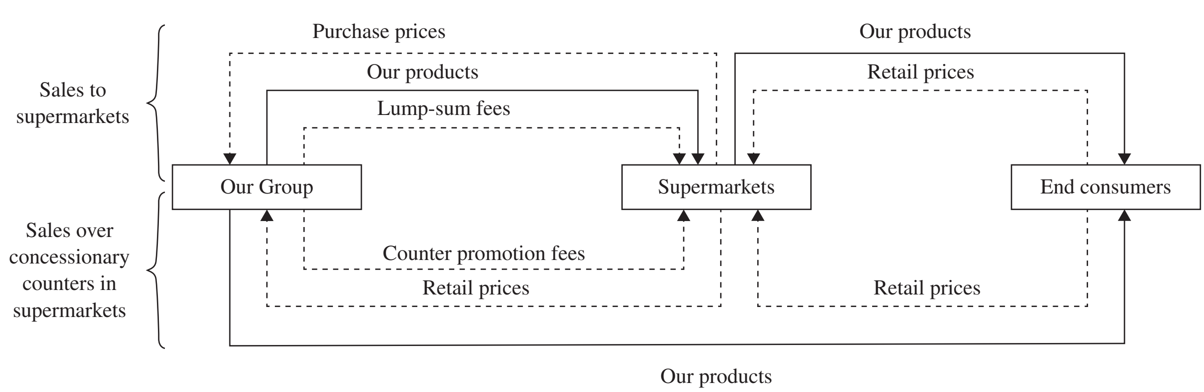
Save for purchase orders for smaller orders, we generally enter into sales agreement with our retailer customers on an annual basis. These agreements specify a variety of terms, including the payment method, credit terms and delivery arrangements. During the Track Record Period, we did not experience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

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:



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.

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 promotors at our concessionary counters. As our sales promotors 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 promotors 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.

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.

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.

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.

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 *(Note)*	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.

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.

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	Approximate % of our total revenue
					(RMB'000)	
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.

FY2020

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
					(RMB'000)	
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.

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
					(RMB'000)	
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	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.

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.

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 carboard 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 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.

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
					(RMB'000)	
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* (溫嶺市松蒼魚鯗專業合作社) . . .	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**

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
					(RMB'000)	
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	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**

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
					(RMB'000)	
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					**90,066**	**39.9**

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.

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 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.

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.

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.

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 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.

- *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	

Key product	Sample product picture
Spicy bamboo shoot crisps series	  
Spicy kelp series	 

Key product	Sample product picture
Year of release: 2020	
Spicy enoki mushroom series	 
Year of release: 2021	
Marinated chicken wing tips series	  

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 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 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.

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.

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

	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)

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 (國家税務總局江西省税務局)
	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 (國家税務總局江西省税務局)
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 (中國質量認証中心)	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.

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 recourses 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.

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, that we are able to remain competitive as we have (i) established brand repute 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	Approximate gross floor area
				(sq.m.)	*(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.

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.

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 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	Monthly rental
						(sq. m.)	*(RMB)*
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

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.

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

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 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;

— 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.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** and the options that may be granted under the Share Option Scheme), our Controlling Shareholders as a group, namely Mr. Yang and his spouse, Ms. Lin, through Shengyao Investment and Trendy Peak, respectively, together with Nanchang Tongli LP through Prosperous Season will own an aggregate of approximately **[REDACTED]**% of issued share capital of our Company.

Shengyao Investment is an investment holding company and is wholly-owned by Mr. Yang, our chairman of the Board, chief executive officer and an executive Director; Trendy Peak is an investment holding company and is wholly-owned by Ms. Lin, the spouse of Mr. Yang and an executive Director; whereas Prosperous Season is an investment holding company wholly-owned by Nanchang Tongli LP, a limited partnership controlled and managed by Mr. Yang as its general partner, who has the power to manage its businesses and make investment decisions. Therefore, Mr. Yang, Ms. Lin, Shengyao Investment, Trendy Peak, Nanchang Tongli LP and Prosperous Season are regarded as our Controlling Shareholders under the Listing Rules.

For details of Mr. Yang and Ms. Lin, please refer to the section headed "Directors and Senior Management" in this document.

COMPETING INTEREST

As at the Latest Practicable Date, apart from the business of our Group, none of our Controlling Shareholders, our Directors, and their respective close associates has carried on, or has any interest in, any other business which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration of the following factors, our Board is satisfied that our Group is capable of carrying out our business independently from our Controlling Shareholders and their respective close associates upon and after the **[REDACTED]**.

Operational Independence

Our Company is capable of making independent decisions and carrying on our business operations independently. Although our Controlling Shareholders retain a controlling interest in our Company after the **[REDACTED]**, this does not prevent us from exercising full rights to carry out our own decisions on the business operations. We do not rely on our Controlling Shareholders for our supply, business development, staffing, capital, equipment, intellectual properties or marketing and sales activities upon the **[REDACTED]**. We have independent access to, and do not share with our Controlling Shareholders, operational resources, such as suppliers, sales networks and customers and an independent management team to handle our day-to-day operations. We have our own registered patents which we can use for producing our products. As at the Latest Practicable Date, we hold and enjoy the benefit of all relevant licences and intellectual properties necessary to carry on our businesses including trademarks of our "Shengyao (聲耀)" and "Gangweifang (贛味坊)" brands. None of our Controlling Shareholders and their respective close associates has any interest in any of our top five customers or top five suppliers during the Track Record Period.

Accordingly, our Directors believe that we are able to maintain operational independence from our Controlling Shareholders and their respective close associates.

Management Independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Yang, our Controlling Shareholder is our chairman of the Board, chief executive officer and an executive Director; and Ms. Lin, our Controlling Shareholder is an executive Director.

Our Group has established an (i) audit committee, (ii) remuneration committee and (iii) nomination committee. Each committee includes independent non-executive Directors so as to monitor the decision-making and operation of our Group. Further, we believe that our independent non-executive Directors will be able to exercise their independent judgement and will be able to provide impartial opinion and professional advice in the decision-making process of our Board to protect the interests of our Shareholders.

Each Director understands that, he/she owes primary duties to our Company and is aware of his/her fiduciary duties as a Director which requires, among others, that he/she must act for the benefit of and in the best interests of our Company and shall avoid any conflict between his/her personal interests and those of our Company. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) and their respective close associate(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, our senior management is independent from our Controlling Shareholders.

Our Company has also established internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

Since our executive Directors have substantial experience in their respective expertise areas and/or in the industry in which our Group is engaged, we believe that they will be able to make business decisions that are in the best interest of our Group. Please refer to the section headed "Directors and Senior Management" in this document for the background of our Directors. Further, our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

Having considered the above factors, our Directors are satisfied that our Board as a whole, together with our senior management team, are able to make independent managerial decisions in the best interest of our Company having regard to their own knowledge of the corporation and their experience and skills.

Financial Independence

Our Company is empowered to make independent decisions in respect of business and financial matters according to our business needs. Our Group has our own internal control, accounting and financial management system and finance department, independent treasury functions for cash receipts and payment and the ability to operate independently of our Controlling Shareholders from financial perspective.

During the Track Record Period, our Controlling Shareholders and their controlled entities provided guarantees to certain banks and financial institutions in order to secure certain bank loans for our Group; and our Group provided guarantees to certain banks and financial institutions to secure borrowings for our Controlling Shareholders. For details of these guarantees, please see note 34 to the Accountants' Report set out in Appendix I to this document.

As at 30 April 2022, our borrowings in the amount of approximately RMB58,160,000 was guaranteed by our Controlling Shareholders; and the borrowings of Mr. Yang in the amount of RMB1,600,000 was guaranteed by Jiangxi Zhengwei. In case of borrowings by our Group, the relevant guarantees will be released, and/or replaced with corporate guarantees or replacement security given by one or more members of our Group before **[REDACTED]**. As at the Latest Practicable Date, the relevant loans of Mr. Yang have been repaid; and all guarantees provided by our Group on our Controlling Shareholder's borrowings have been released.

Taking into account of our Group's internal resources and the estimated **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that we have sufficient capital to operate our business independently, and have a strong credit profile to support our daily operations. Further, our Directors believe that, upon **[REDACTED]**, our Group is capable of obtaining financing from Independent Third Parties without the support of or reliance on our Controlling Shareholders. Therefore, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and Directors on one hand and our Group on the other hand will be taken:

- as part of our preparation for the **[REDACTED]**, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the board meeting;

- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

- we are committed that our Board should include a balanced composition of Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please refer to paragraph headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this document;

- in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors either through its annual report or by way of announcements; and

- we have appointed Grand Moore Capital as our compliance adviser, which will, upon our consultation, provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various Listing Rules requirements relating to directors' duties and corporate governance.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

BOARD OF DIRECTORS

Our Board is responsible for and has general powers in overseeing the management and conduct of our Group's business. Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The following table sets forth information of our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and Responsibilities	Relationship with other Directors and the senior management
Mr. Yang (楊聲耀) . .	50	Chairman, chief executive officer and executive Director	4 January 2002	31 March 2020	Overseeing all operations, strategic management, business development and formulating the business operation plans; member of remuneration committee and nomination committee	Spouse of Ms. Lin
Ms. Lin (林秋雲) . .	47	Executive Director	4 January 2002	20 June 2022	Managing sales department, product and development	Spouse of Mr. Yang
Mr. Li Hui (李輝)	42	Executive Director	1 June 2010	20 June 2022	Responsible for managing sales, product and development	N/A
Mr. Li Taihong (李太紅) . . .	35	Independent non-executive Director	[•]	[•]	Supervising and providing independent opinion and judgment to the Board; the chairman of remuneration committee and nomination committee and member of audit committee	N/A

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and Responsibilities	Relationship with other Directors and the senior management
Mr. Lau Jing Yeung William (劉正揚)	40	Independent non-executive Director	[•]	[•]	Supervising and providing independent opinion and judgment to the Board; the chairman of audit committee and member of remuneration committee and nomination committee	N/A
Mr. Lee Kwok Tung Louis (李國棟) . . .	54	Independent non-executive Director	[•]	[•]	Supervising and providing independent opinion and judgment to the Board; member of audit committee	N/A

Executive Directors

Mr. Yang Shengyao (楊聲耀) ("**Mr. Yang**"), aged 50, was appointed as our Director on 31 March 2020 and is our executive Director, chairman and chief executive officer. He is primarily responsible for the overall operations, strategic management, business development, and formulating our Group's business operation plans. Mr. Yang is a member of our remuneration committee and nomination committee.

Mr. Yang has accumulated over 22 years of experience in the food and trading industry. Mr. Yang was a general manager of Changsha Zhengwei Trading Company Limited* (長沙市正味貿易有限公司) from March 2000 to May 2001. Mr. Yang established our Group as a co-founder in January 2002. Mr. Yang has been the chairman, legal representative and general manager of Jiangxi Zhengwei since January 2002, a director of Zhengwei Group since May 2020, and a director of Zhengwei International since April 2020.

Mr. Yang graduated from Jiangxi Agricultural University (江西農業大學) in January 2016 with a bachelor degree in landscape architecture. He is also a member of Jiusan Society (九三學社) since December 2015.

Mr. Yang is the spouse of Ms. Lin, our executive Director.

Mr. Yang was the director or responsible person of the following companies which were incorporated in the PRC and were subsequently dissolved or had their business license revoked during his tenure:

Name of Company	Position	Status	Reasons of revocation of business license/ deregistration	Date of revocation of business license/ deregistration
Changsha Zhengwei Trading Co., Ltd. Nanchang Branch Office* (長沙市正味貿易有限公司南昌分公司)	Responsible person (負責人)	Business license revoked	Cessation of business	3 January 2005
Jiangxi Kailingda Investment Consulting Co Ltd.* (江西省凱靈達投資諮詢有限公司)	Director	Deregistered	Voluntarily dissolved	28 June 2016

Mr. Yang confirmed that the above companies were solvent at the time of their business licenses being revoked or their deregistration. Mr. Yang further confirmed that there was no wrongful act on his part leading to the revocation of business licenses or deregistration and he is not aware of any actual or potential claim that has been or will be initiated against him as a result of the revocation of business license or deregistration, and that his involvements in the companies were part and parcel of his services and that no misconduct or misfeasance had been involved in the revocation of business license or deregistration. As advised by our PRC Legal Advisers, the revocation of business license or deregistration of the above companies would not render Mr. Yang unsuitable to act as a director of any companies in the PRC.

Ms. Lin Qiuyun (林秋雲) ("**Ms. Lin**"), aged 47, was appointed as our Director on 20 June 2022 and is our executive Director. She is primarily responsible for managing sales department, and product and development of our Group.

Ms. Lin has accumulated over 20 years of experience in the field of sales and marketing. Ms. Lin joined our Group in January 2002 as a sales manager when it was established. Ms. Lin has been a director of Jiangxi Zhengwei since December 2016. Ms. Lin graduated from Fujian Province Yongtai County Vocational School (福建省永泰縣職業學校) in July 1990.

Ms. Lin is the spouse of Mr. Yang, our executive Director.

Mr. Li Hui (李輝) ("**Mr. Li**"), aged 42, was appointed as our Director on 20 June 2022 and is our executive Director. He is primarily responsible for managing sales, and product and development of our Group.

Mr. Li has over 16 years of experience in operations and management. He was a procurement staff at China Railway 16th Bureau Group Company Limited (中鐵十六局集團有限公司) from July 2004 to December 2006. Thereafter, he was a planner at Jiangxi Radio and Television Bureau (江西廣播電視局) from December 2006 to January 2008. Prior to joining our Group in June 2010, he was a supervisor at Nanchang Xianghui Culture Communication Company Limited (南昌翔輝文化傳播有限公司) from June 2008 to June 2016. Mr. Li has been a director of Jiangxi Zhengwei since December 2016, and the general manager, executive director and legal representative of Nanchang Kaixing since March 2013.

Mr. Li graduated from East China Jiaotong University (華東交通大學) with a bachelor's degree in software engineering in July 2004.

Independent Non-executive Directors

Mr. Li Taihong (李太紅先生), aged 35, was appointed as an independent non-executive Director on [•]. He is responsible for supervising and providing independent opinion and judgment to our Board. He is the chairman of our remuneration committee and nomination committee, and a member of our audit committee.

Mr. Li has over nine years of experience in finance and investment industry. He started his career as an operations manager at the Jiangxi Branch of Guosen Securities Company Limited (國信證券股份有限公司江西分公司) in July 2013 to March 2014. He then became an employee of Wind Information Co., Ltd. (萬得信息技術股份有限公司) (formerly known as Shanghai Wande Information Co., Ltd.* (上海萬得信息技術股份有限公司) from March 2014 to June 2016. After that, he joined Jiangxi Zhongke Dacheng Investment Management Company Limited* (江西中科大成投資管理有限公司) as a vice president of operations department from June 2016 to August 2018. He then served as a manager of investment department in August 2018 at Fuzhou Digital Economy and became an assistant to the general manager since November 2019.

Mr. Li graduated from Jiangcheng College, China University of Geosciences (中國地質大學江城學院) with a bachelor's degree in international economics and trade in June 2013. He is currently studying for a master's degree in business administration from Jiangxi Provincial Party School (中共江西省委黨校).

Mr. Lau Jing Yeung William (劉正揚先生), aged 40, was appointed as an independent non-executive Director on [•]. He is responsible for supervising and providing independent opinion and judgment to our Board. He is the chairman of our audit committee and a member of our remuneration committee and nomination committee.

Mr. Lau has over 13 years of experience in accounting, finance and consulting. He started his career as a staff accountant at Deloitte Touche Tohmatsu from January 2005 to June 2006. He then became an associate in Asian Capital (Corporate Finance) Limited from November 2006 to January 2008, and a senior accountant in Ferrier Hodgson Limited from May 2008 to February 2010. He was also a senior associate of the corporate finance department in the Hong Kong branch of KBC Bank N.V. from April 2010 to November 2011, a manager in the corporate finance department of Mazars CPA Limited from March 2012 to March 2014, and a manager of the direct investment department of Yuanta Securities (Hong Kong) Company Limited from August 2014 to June 2015. Mr. Lau served as a director of Winning Brothers Capital Group Limited from June 2015 to August 2017 and subsequently resumed his role since January 2018. He then joined China Yinsheng International Securities Limited as an associate director from September 2017 to January 2018.

Mr. Lau was appointed as an independent non-executive director of Huisen Household International Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2127), from December 2020 to April 2022. He has been an independent non-executive director of Flying Financial Service Holdings Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8030) since 11 March 2022.

Mr. Lau obtained a bachelor's degree in Business (Accountancy) and a master's degree in Business (Marketing) from the Queensland University of Technology in Australia in October 2002 and October 2003, respectively. Mr. Lau became a member of the CPA Australia in December 2010, a member of the Institute of Certified Management Accountants in July 2012 and an associate of the Chartered Institute of Management Accountants in June 2011.

Mr. Lee Kwok Tung Louis (李國棟先生), aged 54, has been appointed as an independent non-executive Director on [•]. He is responsible for supervising and providing independent opinion and judgment to our Board. He is also a member of our audit committee.

Mr. Lee has accumulated and possessed over 28 years of experience in field of accounting and finance since 1993. He joined Deloitte Touche Tohmatsu, an international audit firm, for the period from December 1993 to June 1999 with his last position as a senior accountant. He then worked at Bright & Shine Corporate Finance Limited for the period from October 1999 to May 2003 with his last position as a director. After that, he joined Deloitte Touche Tohmatsu for the period from May 2003 to June 2008 with his last position as a senior manager. He then served as the vice president and chief financial officer of Meadville Holdings Limited, a company with its shares formerly listed on the Main Board of the Stock Exchange and was subsequently privatised voluntarily and delisted in April 2010, for the period from July 2008 to June 2010. After that, Mr. Lee has been the vice president and financial controller of Lung Ming Group since September 2010.

Mr. Lee has been an independent non-executive director of other five listed companies, namely CGN Mining Company Limited (中廣核礦業有限公司) (Stock Code: 1164) since August 2014, Redsun Properties Group Limited (弘陽地產集團有限公司) (Stock Code: 1996) since June 2018, Titan Invo Technology Limited (泰坦智華科技有限公司, formerly known as "TUS International Limited") (Stock Code: 872) since August 2020, Zonbong Landscape Environmental Limited (中邦園林環境股份有限公司) (Stock Code: 1855) since December 2020, and Fusen Pharmaceutical Company Limited (福森藥業有限公司) (Stock Code: 1652) since April 2019, respectively, the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Lee was also an independent non-executive director of Winto Group (Holdings) Limited (惠陶集團(控股)有限公司) (Stock Code: 8238) from January 2015 to May 2016, Zhong Ao Home Group Limited (中奧到家集團有限公司) (Stock Code: 1538) from November 2015 to July 2017, Windmill Group Limited (海鑫集團有限公司) (Stock Code: 1850) from March 2017 to November 2021, China Singyes New Materials Holdings Limited (中國興業新材料控股有限公司) (Stock Code: 8073) from June 2017 to December 2019, and Worldgate Global Logistics Ltd. (盛良物流有限公司) (Stock Code: 8292) from June 2016 to June 2019, respectively, the shares of all of which are listed on the Main Board or GEM of the Stock Exchange.

Mr. Lee was awarded a Bachelor of Economics by Macquarie University in Australia in April 1993. Mr. Lee was admitted as a Certified Practising Accountant of the CPA Australia in June 1996 and a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") in October 1999 respectively. Mr. Lee is currently a Fellow Certified Practising Accountant of CPA Australia and a Fellow Certified Public Accountant of the HKICPA.

Save as disclosed in this document, each of our Directors confirmed that he/she (i) did not hold any directorships in the last three years prior to the Latest Practicable Date in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other positions with us or other members of our Group; and (iii) does not have any relationship with other Directors, senior management or Controlling Shareholders, if any, of our Company or any interest in our Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Other than our Directors, our senior management team, who, together with our executive Directors, are responsible for the day-to-day management and operation of our Company. The table below sets out information in respect of our senior management personnel.

Name	Age	Position within our Group	Date of joining the Group	Roles and Responsibilities	Relationship with our Directors
Mr. Gong Xiang (龔翔)	31	Board secretary	1 September 2014	Responsible for administration	N/A

Mr. Gong Xiang (龔翔) ("**Mr. Gong**"), aged 31, is the Board secretary and assistant to chairman of our Group and is primarily responsible for administration.

Mr. Gong has over nine years of experience in management and administration. He was a salesman at Jiangxi Zhonghai Logistics Company Limited (江西中海物流有限公司) from February 2011 to March 2012 and a general manager of the Nan Chang branch office of Beijing Fuji Biaoshang Technology Co., Ltd. (北京富基標商科技有限公司南昌分公司) from June 2012 to August 2014 before joining our Group.

Mr. Gong graduated from Jiangxi Vocational College of Finance and Economics (江西財經職業學院) with a college degree majoring in accounting and audit in July 2011.

As at the Latest Practicable Date, Mr. Gong did not hold any directorship in any listed companies in the past three years.

COMPANY SECRETARY

Mr. Chan Ngai Fan (陳毅奮), aged 42, is the company secretary of our Group and is primarily responsible for overseeing the company secretarial matters of our Group.

Mr. Chan obtained a bachelor's degree in Arts in Accountancy and a master's degree in Corporate Governance from the Hong Kong Polytechnic University in December 2007 and October 2013, respectively. He is a member of the Hong Kong Institute of Certified Public Accountants (Practising), and an associate member of the Hong Kong Institute of Chartered Secretaries since February 2011 and November 2019, respectively.

Mr. Chan has approximately 15 years of experience in auditing, accounting and financial management. In the early stage of his career, Mr. Chan worked in JBPB & Company (formerly known as Grant Thornton and later merged with BDO Limited) as a semi-senior in the assurance department, with his last position as an assistant manager in assurance from August 2007 to February 2011. From March 2011 to April 2015, he served as the chief financial officer at Naigai Mining (China) Company Limited. Mr. Chan then acted as the financial controller of KPa-BM Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange at first (Stock Code: 8141), and subsequently transferred to list on the Main Board of the Stock Exchange (Stock Code: 2663), from May 2015 to April 2018. Mr. Chan had several positions from September 2016 to March 2019 in Shenzhen Mingwah Aohan High Technology Corporation Limited (Stock Code: 8301), a company previously listed on GEM of the Stock Exchange, including non-executive director, executive director and chief financial officer. He also held several positions, including independent non-executive director and company secretary at Sino Vision Worldwide Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange (Stock Code: 8086) from August 2017 to May 2019.

Mr. Chan is currently an independent non-executive director of Leader Education Limited (Stock Code: 1449), Sanxun Holdings Group Limited (Stock Code: 6611) and Contel Technology Company Limited (Stock Code: 1912) since July 2020, July 2021 and March 2022 respectively, all companies listed on the Main Board of the Stock Exchange. He is the joint company secretary of Centenary United Holdings Limited (stock code: 1959) since January 2019, a company listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Capital Finance Holdings Limited (Stock Code: 8239), a company listed on GEM of the Stock Exchange, since January 2022.

BOARD COMMITTEES

Audit Committee

Our Company established the audit committee on [•] in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph D.3.3 of the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") have been adopted. The primary roles of the audit committee include, but not limited to (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of our financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing our financial controls, internal control and risk management systems.

The audit committee currently comprises of three members who are Mr. Lau Jing Yeung William, Mr. Li Taihong and Mr. Lee Kwok Tung Louis. Mr. Lau Jing Yeung William is the chairman of the audit committee, and he possesses the appropriate professional qualifications as required under Rule 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

Our Company established the remuneration committee on [•] in compliance with Rule 3.25 of the Listing Rules. Written terms of reference in compliance with paragraph E.1.2 of the Corporate Governance Code have been adopted. The primary roles of the remuneration committee include, among other things, making recommendations to the Board on our Company's policy for human resource management as well as establishing and reviewing policies and structure in relation to remuneration for our Directors and senior management.

The remuneration committee currently comprises of three members, namely Mr. Li Taihong, Mr. Yang Shengyao and Mr. Lau Jing Yeung William, and is chaired by Mr. Li Taihong.

Nomination Committee

Our Company established the nomination committee on [•] in compliance with Rule 3.27A of the Listing Rules. Written terms of reference in compliance with paragraph B.3.1 of the Corporate Governance Code have been adopted. The primary roles of the nomination committee include, but are not limited to, (a) reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become our Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; and (c) assessing the independence of our independent non-executive Directors.

The nomination committee currently comprises of three members, namely Mr. Li Taihong, Mr. Yang Shengyao and Mr. Lau Jing Yeung William, and is chaired by Mr. Li Taihong.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, age, culture, education background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Board comprises six Directors, including three executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and skills, including knowledge and skills in the business of food industry, finance and accounting. They obtained degrees in various majors including software engineering, economics, accounting and audit and administration. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board comprises Directors of a wide range of age, ranging from 35 years old to 54 years old. As at the Latest Practicable Date, we had one female Director on our Board. We will continue to apply the principles of appointments based on merits with reference to our diversity policy as a whole.

Our nomination committee is responsible for ensuring the diversity of our Board members. After the **[REDACTED]**, our nomination committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

Taking into account our existing business model and specific needs as well as the different background of our Directors, our Directors consider that the composition of our Board satisfies our board diversity policy.

WAIVER GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange [has agreed] to grant, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed "Waiver from Strict Compliance with the Listing Rules" in this document.

COMPLIANCE ADVISER

We have appointed Grand Moore Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules concerning unusual movements in the **[REDACTED]** of our Shares, the possible development of a false **[REDACTED]** in the Shares, or any other matters.

The term of the appointment shall commence on the **[REDACTED]** and shall end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the **[REDACTED]**.

The Company has adopted the code provisions stated in the Corporate Governance Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from Corporate Governance Code provision C.2.1, our corporate governance practices have complied with the Corporate Governance code. Corporate Governance Code provision C.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yang is the chairman of our Board and chief executive officer of our Group. In view of the fact that Mr. Yang has been assuming day-to-day responsibilities in operating and managing our Group since January 2002 and has accumulated extensive experience and knowledge in our business, our Board believes that it is in the best interest of our Group to have Mr. Yang taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from Corporate Governance Code provision C.2.1 is appropriate in such circumstance. Notwithstanding from the above, our Board is of the view that this management structure is effective for our Group's operations and sufficient checks and balances are in place.

Our Directors are aware that upon **[REDACTED]**, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Save as disclosed above, we will comply with the code provisions set out in the Corporate Governance Code after the **[REDACTED]**.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive, in their capacity as our employees, remuneration in the form of salaries, bonus, other allowances and benefits-in-kind, including our contribution to the pension scheme for our Directors, in their capacity as employees, according to the laws of the relevant jurisdiction. Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and time devoted to our Group.

The aggregate amount of salaries, allowances, discretionary bonus and retirement benefits scheme contributions paid and benefits in kind granted to our Directors for FY2019, FY2020 and FY2021 were approximately RMB0.6 million, RMB0.6 million and RMB0.6 million, respectively. Save as disclosed in this document, no other amounts have been paid or are payable by any member of our Group to our Directors for FY2019, FY2020 and FY2021.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid by our Group to our five highest paid individuals, including Directors, for FY2019, FY2020 and FY2021 were approximately RMB0.4 million, RMB0.6 million and RMB1.0 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the Track Record Period. None of our Directors has waived or has agreed to waive any emoluments during the Track Record Period. Under the arrangements presently in force, the estimated aggregate remuneration of our Directors for FY2022, excluding discretionary bonus, is approximately RMB0.6 million.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For further details of the remuneration of our Directors during the Track Record Period as well as information on the highest paid individuals, please see note 13 to our combined financial information included in the Accountants' Report set out in Appendix I to this document and "Statutory and General Information — 7. Further information about our Directors and Substantial Shareholders — C. Directors' Remuneration" as set out in Appendix IV to this document.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our Shareholders passed on [•]. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentive or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information — 8. Share Option Scheme" in Appendix IV to this document.

So far as our Directors are aware, immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** or any options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Long Position in the Shares of our Company

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held as at the Latest Practicable Date	Percentage of shareholding held as at the Latest Practicable Date	Number of Shares held immediately after completion of the [REDACTED] and the [REDACTED]	Percentage of shareholding held immediately after completion of the [REDACTED] and the [REDACTED]
			(%)	*(Note 1)*	*(%)*
Mr. Yang.	Interest in a controlled corporation *(Note 2)*	1,668,500	31.70	**[REDACTED]** (L)	**[REDACTED]**
	Interest in a controlled corporation *(Note 3)*	816,500	15.51	**[REDACTED]** (L)	**[REDACTED]**
	Interest of spouse *(Note 4)*	907,000	17.24	**[REDACTED]** (L)	**[REDACTED]**
Ms. Lin	Interest in a controlled corporation *(Note 5)*	907,000	17.24	**[REDACTED]** (L)	**[REDACTED]**
	Interest of spouse *(Note 4)*	2,485,000	47.21	**[REDACTED]** (L)	**[REDACTED]**
Mr. Li Hui . . .	Interest in a controlled corporation *(Note 6)*	476,500	9.05	**[REDACTED]** (L)	**[REDACTED]**
Mr. Lei	Interest in a controlled corporation *(Note 7)*	371,000	7.05	**[REDACTED]** (L)	**[REDACTED]**

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held as at the Latest Practicable Date	Percentage of shareholding held as at the Latest Practicable Date	Number of Shares held immediately after completion of the [REDACTED] and the [REDACTED]	Percentage of shareholding held immediately after completion of the [REDACTED] and the [REDACTED]
			(%)	*(Note 1)*	*(%)*
Prosperous Season	Beneficial owner *(Note 3)*	816,500	15.51	**[REDACTED]** (L)	**[REDACTED]**
Shengyao Investment . .	Beneficial owner *(Note 2)*	1,668,500	31.70	**[REDACTED]** (L)	**[REDACTED]**
Trendy Peak . .	Beneficial owner *(Note 5)*	907,000	17.24	**[REDACTED]** (L)	**[REDACTED]**
Nanchang Tongli LP . .	Interest in a controlled corporation *(Note 3)*	816,500	15.51	**[REDACTED]** (L)	**[REDACTED]**
Best Talent . . .	Beneficial owner *(Note 6)*	476,500	9.05	**[REDACTED]** (L)	**[REDACTED]**
Changnan Fund	Interest in a controlled corporation *(Note 8)*	440,500	8.37	**[REDACTED]** (L)	**[REDACTED]**
Chang Nan Financial . . .	Beneficial owner *(Note 8)*	440,500	8.37	**[REDACTED]** (L)	**[REDACTED]**
Pluto Universal	Beneficial owner *(Note 7)*	371,000	7.05	**[REDACTED]** (L)	**[REDACTED]**

Notes:

(1) The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in our Shares.

(2) Our Company is held as to **[REDACTED]**]% by Shengyao Investment immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon any exercise of the **[REDACTED]** and options which may be granted under the Share Option Scheme). The issued share capital of Shengyao Investment is ultimately wholly-owned by Mr. Yang. Therefore, Mr. Yang is deemed, or taken to be, interested in all the Shares held by Shengyao Investment for the purpose of the SFO.

(3) Our Company is held as to **[REDACTED]**% by Prosperous Season immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon any exercise of the **[REDACTED]** and options which may be granted under the Share Option Scheme). The issued share capital of Prosperous Season is wholly-owned by Nanchang Tongli LP, which is a limited partnership managed and controlled by Mr. Yang as the general partner. Accordingly, Mr. Yang is deemed, or taken to be, interested in all the Shares held by Prosperous Season for the purpose of the SFO.

(4) Mr. Yang and Ms. Lin are spouses. Under the SFO, each of Mr. Yang and Ms. Lin is deemed to be interested in the Shares that the other person is interested in.

(5) Our Company is held as to **[REDACTED]**% by Trendy Peak immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon any exercise of the **[REDACTED]** and options which may be granted under the Share Option Scheme). The issued share capital of Trendy Peak is ultimately wholly-owned by Ms. Lin. Therefore, Ms. Lin is deemed, or taken to be, interested in all the Shares held by Trendy Peak for the purpose of the SFO.

(6) Our Company is held as to **[REDACTED]**% by Best Talent immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon any exercise of the **[REDACTED]** and options which may be granted under the Share Option Scheme). The issued share capital of Best Talent is owned as to 57.14%, 23.81% and 19.05% by Mr. Li Hui, Mr. Wu Bangjun and Mr. Luo Zikang, respectively. Accordingly, Mr. Li Hui is deemed, or taken to be, interested in all the Shares held by Best Talent for the purpose of the SFO.

(7) Our Company is held as to **[REDACTED]**% by Pluto Universal immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon any exercise of the **[REDACTED]** and options which may be granted under the Share Option Scheme). The issued share capital of Pluto Universal is wholly-owned by Mr. Lei. Accordingly, Mr. Lei is deemed, or taken to be, interested in all the Shares held by Pluto Universal for the purpose of the SFO.

(8) Our Company is held as to **[REDACTED]**% by Chang Nan Financial immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon any exercise of the **[REDACTED]** and options which may be granted under the Share Option **[REDACTED]**). The issued share capital of Chang Nan Financial is wholly-owned by Changnan Fund, a limited liability company established under the laws of the PRC and is ultimately wholly-owned by Nanchang Science Industry and Information Technology Bureau (南昌縣科技和工業信息化局).

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon any exercise of the **[REDACTED]** and options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following table sets forth information with respect to the share capital of our Company immediately following completion of the **[REDACTED]** and the **[REDACTED]**, without taking into account any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme:

Authorised Share Capital

[8,000,000,000]	Shares of US$0.01 each	US$[80,000,000]

Shares issued and to be issued, fully paid or credited as fully paid upon completion of the **[REDACTED]** *and the* **[REDACTED]***:*

5,263,200	Shares in issue as at the date of this document	US$52,632
[REDACTED]	Shares to be issued under the **[REDACTED]**	US$**[REDACTED]**
[REDACTED]	Shares to be issued under the **[REDACTED]** (excluding any Shares which may be issued under the **[REDACTED]** and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme)	US$**[REDACTED]**
[REDACTED]	Shares in total	US$**[REDACTED]**

Assuming the **[REDACTED]** is exercised in full, the issued share capital of our Company immediately following the completion of the **[REDACTED]** and the **[REDACTED]** will be increased from US$**[REDACTED]** divided into **[REDACTED]** Shares to US$**[REDACTED]** divided into **[REDACTED]** Shares.

ASSUMPTIONS

The above table assumes that the **[REDACTED]** and the **[REDACTED]** become unconditional and the issue of Shares pursuant thereto is made as described herein. The above table takes no account of any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme, or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate ("**Issuing Mandate**") given to our Directors to allot and issue or repurchase Shares referred to in the paragraphs headed "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" below in this section, as the case may be.

MINIMUM [REDACTED]

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of **[REDACTED]** and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the total issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The **[REDACTED]** and the Shares shall be ordinary shares and will rank *pari passu* in all respects with all other Shares now in issue or to be issued as mentioned in this document, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this document save for any entitlement under the **[REDACTED]**.

[REDACTED]

Pursuant to the resolutions of our Shareholders passed on [•], conditional upon the share premium account of our Company being credited as a result of the issue of the **[REDACTED]** by our Company under the **[REDACTED]**, our Directors were authorised to allot and issue a total of **[REDACTED]** Shares to the holders of shares on the register of members of our Company in proportion to their respective shareholdings, credited as fully paid at par by way of capitalisation of the sum of US$**[REDACTED]** standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on [•]. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Statutory and General Information — 8. Share Option Scheme" in Appendix IV to this document.

Our Company did not have any outstanding share options, warrants, convertible instruments or similar rights convertible into our Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and Conditions of the **[REDACTED]** — Conditions of the **[REDACTED]**" in this document being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirements that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(i) 20% of the aggregate number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (but excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme); and

(ii) the aggregate number of Shares repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed "General Mandate to Repurchase Shares" in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Companies Act or any other applicable laws of the Cayman Islands to be held; or

(c) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information — 1. Further Information about our Company — (iv) Written Resolutions of our Shareholders passed on [•]" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the paragraph headed "Structure and Conditions of the **[REDACTED]** — Conditions of the **[REDACTED]**" of this document, our Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be **[REDACTED]** or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with a total number of not more than 10% of the aggregate number of Shares in issue or to be issued immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share **[REDACTED]**).

This mandate only relates to repurchases made on the Stock Exchange, or on any other approved stock exchange(s) on which our Shares are **[REDACTED]** (and which is recognised by the SFC and the Stock Exchange for this purpose), and are made in accordance with all applicable laws, regulations and/or the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — 5. Share Repurchase Mandate — D. General" in Appendix IV to this document.

The general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

(i) the conclusion of our Company's next annual general meeting;

(ii) the expiration of the period within which the next annual general meeting is required by the Articles of Association or the Companies Act or any other applicable law of the Cayman Islands to be held; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this share repurchase mandate, please refer to the paragraph headed "Statutory and General Information — 5. Share Repurchase Mandate — D. General" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Act, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Article of Association, a summary of which is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" set out in Appendix III to this document.

You should read this section in conjunction with our audited combined financial statements as at and for the years ended 31 December 2019, 2020 and 2021, which are set out in the Accountants' Report in Appendix I to this document. You should read the whole of the Accountants' Report in Appendix I to this document and not rely merely on the information in this section. The combined financial statements have been prepared in accordance with HKFRSs.

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. You should review the section headed "Risk Factors" in this document for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements.

OVERVIEW

We are an agricultural food products producer in the PRC and principally engage in manufacturing and, to a lesser extent, trading of instant snacks and dried food products. For an overview of our business, please refer to the paragraph headed "Business — Overview" in this document.

During the Track Record Period, our revenue slightly decreased from approximately RMB297.4 million for FY2019 to approximately RMB282.9 million for FY2020, and increased to approximately RMB342.0 million for FY2021. Our gross profit were approximately RMB96.3 million, RMB90.6 million and RMB108.5 million in FY2019, FY2020 and FY2021, respectively, representing a gross profit margin of approximately 32.4%, 32.0% and 31.7% for the same periods, respectively. Our net profit were approximately RMB40.9 million, RMB40.9 million and RMB48.3 million in FY2019, FY2020 and FY2021, respectively.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully described in the section headed "History, Reorganisation and Corporate Structure" in this document and the section headed "Statutory and General Information" in Appendix IV to this document, our Company became the holding company of all the companies now comprising our Group on 8 June 2022. The companies now comprising our Group were under the common control of Mr. Yang and Ms. Lin immediately before and after the completion of the Reorganisation. The historical financial information has been prepared on a combined basis by applying the principles of merger method of accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

Accordingly, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the Track Record Period have included the results, changes in equity and cash flows of the companies now comprising our Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position of our Group as at 31 December 2019, 2020 and 2021 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Our Directors confirmed that no significant HKFRSs adjustment was made on the PRC statutory accounts to reconcile to the underlying financial statements prepared in conformity with the HKFRSs.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

We may not be able to maintain a stable supply of raw materials and the availability of our raw materials could be subject to weather conditions and global climate changes.

Our business is dependent on maintaining a stable supply of raw materials. We source unprocessed raw materials such as fungi, grains, algae, dried aquatic products, chicken feet and duck necks from a number of suppliers, including farmers, agricultural cooperatives and corporate suppliers. During the Track Record Period, aggregate total purchases from our five largest suppliers accounted for approximately 28.9%, 34.8% and 39.9%, respectively, of our total purchase in FY2019, FY2020 and FY2021. Purchases from our largest supplier accounted for approximately 6.9%, 10.4% and 13.3%, respectively, of our total purchases in such years. If we are unable to maintain our relationship with any of our major suppliers or if any of them otherwise ceases to supply raw materials to us on the same or similar terms, or at all, such changes may impair our ability to meet our customer orders, which could have a material adverse effect on our business, results of operations and financial condition. Any shortage in raw materials or fluctuations in market prices could negatively affect our purchase price from suppliers. Risks such as social and political unrest, economic volatility and climate conditions in the regions where we source our raw materials could also negatively and materially affect our purchase price. If we are unable to obtain stable supply for our raw materials due to any of the above factors, our results of operations, profit margins and profitability could be adversely affected. In addition, replacing a supplier may require that we divert attention and resources away from our business. If we are unable to identify suitable replacement suppliers in a timely manner, or at all, our business and results of operations could be materially and adversely affected.

In addition, the harvesting and cultivation of agricultural products such as fungi, grains as well as aquatic products and algae are subject to natural conditions which are beyond our control. In the event of unfavourable weather conditions, the quantity or quality of raw materials available to us could be affected. For instance, any large scale flooding or other kind of natural disaster may significantly reduce the supply and increase the price of our raw materials in the market, which in turn affects our gross margin. In addition, global climate change and ocean acidification may also affect the supply of our raw materials. If we are unable to secure sufficient supplies of raw materials, our business, results of operations and financial position could be materially and adversely affected.

We are susceptible to fluctuations in raw materials prices.

Our competitiveness, costs and profitability depend, in part, on our ability to source and maintain a stable and sufficient supply of raw materials at acceptable prices. Our major raw materials include fungi, grains, dried aquatic products, algae, chicken feet and duck necks and packaging materials. We procure all of our raw materials in the PRC. For FY2019, FY2020 and FY2021, our direct material 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. If we are unable to obtain raw materials in the quantities and quality that we require, our volume and/or quality of production will decline, which in turn may have a material adverse effect on our results of operations.

Our raw materials are subject to price volatility caused by external factors beyond our control, such as climatic and environmental conditions, and commodity price fluctuations. An increase in the prices of our raw materials or any inability to secure alternative suppliers may increase our cost of sales and have a material adverse impact on our profit margins and hence our profitability. Our total costs of raw materials are expected to continue to increase in the foreseeable future, which is consistent with the general trend of rising commodity prices in the PRC. Fluctuations in our raw material prices may result in unexpected increases in production costs, and if we are unable to manage these costs or to pass on any such increase to our customers, our profitability will decrease. Hence, any significant increase in the price of our raw materials may materially and adversely affect our business, results of operations and financial position.

If our relationships with our major customers deteriorate, our ability to sell our products may be materially and adversely affected.

Our customers are primarily retailers such as supermarkets and grocery stores, corporate customers and other individual customers. For FY2019, FY2020 and FY2021, sales to our five largest customers amounted to approximately RMB233.8 million, RMB242.7 million and RMB279.6 million, respectively, representing approximately 78.6%, 85.8% and 81.8% of our total revenue during the corresponding years; whilst sales to the largest customer amounted to approximately RMB115.8 million, RMB121.5 million and RMB149.3 million, respectively, representing approximately 38.9%, 42.9% and 43.7% of our total revenue during the corresponding years.

For details of our five largest customers, please refer to the paragraph headed "Business — Customers" in this document. We did not enter into long-term framework sales agreement with our customers, and our customers may cease purchasing products from us at any time. Any disruption in the relationships with our customers could affect our ability to effectively sell our products and would materially and adversely affect our business, results of operations and financial position.

In addition, our customers, including supermarkets and other retailers, may not be able to sell our products successfully or maintain their competitiveness as a result of various factors. If the sales volume of our products to the end consumers are reduced, our customers may cease placing orders for new products with us, reduce their order volume or demand lower prices. Any loss of our customers or reduction in customer orders could materially and adversely affect our revenue.

Furthermore, we rely on large-scale customers, such as supermarkets, to sell a significant portion of our products. If we do not successfully provide appropriate marketing, product packaging, pricing and other services to these customers, our product availability and sales could suffer. The loss of sales of any of our products to a major customer could have a material adverse effect on our business, results of operations and financial position.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

We identified certain accounting policies that are significant to the preparation of our financial statements in accordance with the HKFRSs. Some of our accounting policies require us to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, nature of our business operations, relevant rules and regulations that we believe to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. We review the estimates and underlying assumptions regularly as they may have a significant impact on our operational results as reported in our historical financial information included elsewhere in this document. Our significant accounting policies and critical accounting estimates are summarised below and the full text is set out in note 4 and note 5 to the Accountants' Report contained in Appendix I to this document.

Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if our Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as our Group performs; or
- does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to our Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of instant snacks, dried delicacies, dried aquatic products, grains, seasonings and others

Customers obtain control of the food products when they have been delivered to the agreed location and accepted by customers. Revenue is thus recognised upon when the customers accepted the products. Thus, there is generally only one performance obligation. Invoices are usually payable within 90 days.

Some contracts for the sales of food products provide customers with rights of return and discounts. The rights of return give rise to variable consideration and the revenue is recorded on the price specified in the sales contracts/invoices, net of the estimated discounts.

For contracts which provide a customer with a right of return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which our Group will be entitled. The requirements of HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Contract liabilities

A contract liability represents our Group's obligation to transfer services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

Contract costs

Our Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

Accounting judgements and estimates

In addition to information disclosed in our historical financial information included elsewhere in this document, other key sources of estimation uncertainty that have significant risks or resulting material adjustments to the carrying amounts of assets and liabilities with next financial year for the Track Record Period are as follows:

(i) Impairment of goodwill, right-of-use assets, property, plant and equipment and intangible assets

Goodwill, right-of-use assets, property, plant and equipment are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment, goodwill is required to be tested annually for impairment. For the purpose of impairment testing, goodwill has been allocated to the cash generating unit ("**CGU**") operating in the trading of food product.

Determining whether goodwill and other assets allocated to trading of food product CGU is impaired requires an estimation of the value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Further information on the impairment assessment on trading of food product CGU is provided in note 21 to the Accountants' Report in Appendix I to this document.

(ii) Fair value measurement

A number of assets and liabilities included in our Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of our Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**fair value hierarchy**"):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period as they occur.

Our Group measures a number of items at fair value:

- Investment property; and

- Financial asset at fair value through other comprehensive income.

For more detailed information in relation to the fair value measurement of the items above, please refer to note 20 and note 23 to the Accountants' Report in Appendix I to this document, respectively.

(iii) Estimated useful lives and residual value of property, plant and equipment and intangible assets

Our Group's management determines the estimated useful lives and residual values for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation or amortisation charge where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic view could result in a change in depreciable or amortisable lives and residual values and therefore depreciation or amortisation expense in the future periods.

(iv) Net realisable value of inventories

Our Group's management reviews the inventory aging analysis periodically, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales.

Our Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items through management's estimation of the net realisable value for such obsolete and slow-moving items based primarily on the latest invoice prices and current market conditions. Additional write down of inventories might be necessary when the actual movement in inventories and selling prices is lower than anticipated.

(v) Impairment of trade receivables, deposits and other receivables

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk since initial recognition. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, our Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. Our Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(vi) Income tax and deferred tax

Determining income tax provisions requires our Group to make judgements on the future tax treatment of certain transactions. Our Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

SUMMARY OF RESULTS OF OPERATIONS

Set forth below is a summary of our combined statements of profit or loss and other comprehensive income during the Track Record Period, extracted from the Accountants' Report included as Appendix I to this document. The financial information contained herein and in the Accountants' Report in the Appendix I to this document is prepared in accordance with HKFRSs and is presented as if our current group structure had been in existence throughout the years presented.

	FY2019	FY2020	FY2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue	297,398	282,889	341,998
Cost of sales	(201,147)	(192,301)	(233,518)
Gross profit	96,251	90,588	108,480
Other revenue	4,500	5,153	4,181
Other gains and losses	1,013	3,655	3,797
Distribution and selling expenses	(21,877)	(20,314)	(28,224)
Administrative expenses	(20,415)	(20,504)	(23,130)
Provision of impairment loss recognised on trade and other receivables and deposits, net	58	580	893
Finance costs	(7,530)	(7,760)	(6,150)
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Profit before income tax expense	48,262	47,313	57,844
Income tax expense	(7,317)	(6,374)	(9,552)
Profit for the year	40,945	40,939	48,292
Profit for the year attributable to:			
Owners of the Company	40,945	40,939	48,292

DESCRIPTION OF SELECTED ITEMS IN COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue mainly represents (i) the sales from manufacturing of instant snacks and dried food products; and (ii) the sales from trading of instant snacks and dried food products. During the Track Record Period, we recorded total revenue of approximately RMB297.4 million, RMB282.9 million and RMB342.0 million, respectively.

(a) Revenue by business models and by brands

The table below sets out a breakdown of our revenue categorised by business models and by brands 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
	297,398	100.0	282,889	100.0	341,998	100.0

Manufacturing

During the Track Record Period, approximately 75.1%, 80.9% and 73.2% of our revenue were generated from our manufacturing business, which we generally source raw materials from our suppliers and process the raw materials and package products at our own production facilities, and sell the products under our own "Shengyao (聲耀)" and "Gangweifang (贛味坊)" brands. We mainly sold our packaged dried delicacies such as black fungi, dried mushroom, dried aquatic products such as dried cuttlefish and instant vegetable and meat snack products under our "Shengyao (聲耀)" brand and dried candied fruits such as raisins and dried dates as well as nuts under our "Gangweifang (贛味坊)" brand. The sales of our own-branded products contributed to a relatively larger share of our revenue, which represented approximately 75.1%, 80.9% and 73.2% for FY2019, FY2020 and FY2021, respectively. Our revenue generated from our own-branded products slightly increased by approximately RMB5.5 million or 2.5% from approximately RMB223.4 million for FY2019 to approximately RMB228.9 million for FY2020 mainly attributable to the net effect of (i) the increase in sale of instant snacks and dried aquatic products under our own brands by approximately RMB2.7 million and RMB28.6 million, respectively; and (ii) the decrease in sale of grains and dried delicacies under our own brands by approximately RMB14.3 million and RMB10.9 million, respectively. Our revenue generated from our own-branded products increased by approximately RMB21.4 million or 9.3% from approximately RMB228.9 million for FY2020 to approximately RMB250.4 million for FY2021, which was mainly due to the increase in sale of instant snacks under our own brand by approximately RMB22.5 million for FY2021.

Shengyao (聲耀)

The revenue generated from "Shengyao (聲耀)" brand products slightly increased by approximately RMB2.5 million or 1.2% for FY2020, which was mainly due to (i) the increase in sale of our dried cuttlefish by approximately RMB27.0 million, in particular the increase in sale of our medium cuttlefish by approximately RMB17.2 million; (ii) the increase in sale of our instant vegetable snacks spicy kelp series by approximately RMB15.7 million; (iii) the increase in sale of our instant vegetable snacks spicy enoki mushroom series by approximately RMB11.3 million; and (iv) the increase in sale of our instant vegetable snacks spicy bamboo shoots crisps series by approximately RMB7.3 million, partially offset by the decrease in sale of our instant vegetable snacks fragrant lotus seeds by approximately RMB47.1 million. Other than our instant vegetable snacks lotus seeds, our instant vegetable snacks under our own brands experienced a much higher growth rate than that of the market growth rate of vegetable snacks for FY2020, as stated in the Frost & Sullivan Report.

The revenue generated from "Shengyao (聲耀)" brand products increased by approximately RMB12.8 million or 6.1% for FY2021 from approximately RMB208.3 million for FY2020 to approximately RMB221.1 million for FY2021, which was mainly attributable to (i) the sale of our newly launched instant meat snacks of approximately RMB60.7 million, in particular the sale of our instant meat snacks marinated chicken wing tips series and roasted duck necks series of approximately RMB30.7 million; and (ii) the increase in sale of our dried mushroom by approximately RMB2.3 million; partially offset by the decrease in sale of our instant vegetable snacks fragrant lotus seeds by approximately RMB40.9 million as a result of our cessation of this production line due to the increase in cost of manufacturing and continuing consumption declines of this product. The decrease in sale of instant vegetable snacks was mainly due to our strategy to promote instant meat snacks where we allocated certain production resources for instant vegetable snacks to instant meat snacks.

Gangweifang (贛味坊)

The revenue generated from "Gangweifang (贛味坊)" brand products increased by approximately RMB3.0 million or 17.2% from approximately RMB17.6 million for FY2019 to approximately RMB20.6 million for FY2020, which was mainly attributable to the increase in sale of pistachios by approximately RMB7.2 million, partially offset by the decrease in sale of pecans and raisins by approximately RMB3.2 million.

The revenue generated from "Gangweifang (贛味坊)" brand products increased by approximately RMB8.7 million or 41.9% from approximately RMB20.6 million for FY2020 to approximately RMB29.3 million for FY2021, which was mainly attributable to (i) the increase in sale of macadamia by approximately RMB2.9 million; (ii) the increase in sale of watermelon seeds by approximately RMB1.4 million; and (iii) the increase in sale of pecans by approximately RMB0.9 million.

The following table sets out a breakdown of revenue of our instant snacks products under our own brands during the Track Record Period:

	FY2019		FY2020		FY2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Vegetable	116,752	100.00	119,495	100.00	81,305	57.3
Meat	—	—	—	—	60,668	42.7
	116,752	100.0	119,495	100.0	141,973	100.0

The revenue generated from instant snacks under our own brands was on an increasing trend from approximately RMB116.8 million for FY2019 to approximately RMB119.5 million for FY2020, and further increased to approximately RMB142.0 million for FY2021. The revenue generated from our instant vegetable snacks increased by approximately RMB2.7 million or 2.3% for FY2020 mainly attributable to (i) the increase in sale of instant vegetable snacks spicy kelp series by approximately RMB15.7 million; (ii) the increase in sale of instant vegetable snacks spicy enoki mushroom series by approximately RMB11.3 million; (iii) the increase in sale of instant vegetable snacks spicy bamboo shoots crisp series by approximately RMB7.3 million; (iv) the increase in sale of pistachios by approximately RMB9.0 million; and (v) the increase in sale of instant vegetable snacks spicy lotus root slices by approximately RMB2.5 million, partially offset by the decrease in sale of instant vegetable snacks fragrant lotus seeds by approximately RMB47.1 million.

The revenue generated from our instant vegetable snacks decreased by approximately RMB38.2 million or 32.0% for FY2021 mainly attributable to (i) the decrease in sale of instant vegetable snacks fragrant lotus seeds by approximately RMB40.9 million, partially offset by the increase in sale of instant vegetable snacks spicy enoki mushroom series by approximately RMB2.9 million; (ii) the increase in sale of macadamia by approximately RMB2.8 million; (iii) the increase in sale of watermelon seeds by approximately RMB1.3 million; and (iv) the increase in sale of pecans by approximately RMB0.7 million.

Trading

During the Track Record Period, approximately 24.9%, 19.1% and 26.8% of our revenue were generated from our trading business, respectively. Trading products mainly represented the products we purchased from our suppliers and sold without further processing, including (i) instant snacks such as pistachios, biscuits and raisins; (ii) dried delicacies such as lotus seeds and dried mushroom; and (iii) dried aquatic products such as cuttlefish. Our revenue generated from trading business decreased by approximately RMB20.0 million or 27.1% from approximately RMB74.0 million for FY2019 to approximately RMB53.9 million for FY2020, such decrease was primarily due to the decrease in sale of dried aquatic products and dried delicacies by approximately RMB22.3 million and RMB5.5 million, respectively, partially offset by the increase in sale of instant snacks and grains by approximately RMB6.3 million and RMB3.4 million, respectively.

Our revenue generated from trading business increased by approximately RMB37.7 million or 70.0% for FY2021 mainly attributable to the increase in sale of dried delicacies products and instant snacks by approximately RMB24.9 million and RMB11.2 million, respectively. The increase in revenue generated from trading products for FY2021 was mainly attributable to the increase in sourcing of products from other suppliers to fulfil customer orders as our production facilities were operating at a level close to full capacity during FY2020 and FY2021.

(b) Revenue by product line

The table below 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 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

Instant snacks

During the Track Record Period, our sales of instant snacks represented the largest share of our revenue, which accounted for approximately 43.2%, 48.6% and 50.0%, respectively. The revenue generated from instant snacks increased by approximately RMB9.0 million or 7.0% from approximately RMB128.4 million for FY2019 to approximately RMB137.4 million for FY2020, while our average selling price of instant snacks decreased from approximately RMB55.6 per kg for FY2019 to RMB40.8 per kg for FY2020, which was mainly due to (i) the increase in sales volume of our instant vegetable snacks spicy kelp series, which was launched in late 2019, by approximately 616 tonnes for FY2020 with a relatively lower average selling price of approximately RMB25.6 per kg; (ii) the launch of our new instant vegetable snacks spicy enoki mushroom series in FY2020 which generated sales of approximately 283 tonnes for FY2020 with a relatively lower average selling price of approximately RMB39.8 per kg; and (iii) the decrease in sales volume of our instant vegetable snacks fragrant lotus seeds by approximately 481 tonnes with a relatively higher average selling price of approximately RMB77.1 per kg resulted from consumption declines in FY2020.

The revenue generated from instant snacks further increased by approximately RMB33.6 million or 24.5% from approximately RMB137.4 million for FY2020 to approximately RMB171.1 million for FY2021, while our average selling price of instant snacks increased from approximately RMB40.8 per kg for FY2020 to approximately RMB42.3 per kg for FY2021, which was the net effect of (i) the launch of our new instant meat snacks products, in particular the marinated chicken wing tips series and roasted duck necks series, which recorded sales volume of approximately 164 tonnes and 416 tonnes, respectively, with a relatively higher average selling price of approximately RMB66.0 per kg and RMB47.8 per kg, respectively, in FY2021; and (ii) the decrease in sales volume of our instant vegetable snacks fragrant lotus seeds by approximately 531 tonnes with a higher average selling price of approximately RMB77.1 per kg as we ceased to produce this product in FY2021 due to increase in cost of sales and continuing consumption declines of such product. We therefore decided to focus on more profitable products such as other instant vegetable snacks and instant meat snacks products going forward.

Dried delicacies

Our sales of dried delicacies represented the second largest share of our revenue during the Track Record Period, which accounted for approximately 29.2%, 24.9% and 25.6%, respectively. Our revenue generated from dried delicacies decreased by approximately RMB16.3 million or 18.8% from approximately RMB86.8 million for FY2019 to approximately RMB70.5 million for FY2020, while our average selling price of dried delicacies decreased from approximately RMB67.8 per kg for FY2019 to approximately RMB62.5 per kg for FY2020, which was mainly due to (i) the decrease in sales volume of black fungi by approximately 213 tonne with a relatively higher average selling price of approximately RMB80.9 per kg; (ii) the decrease in sales volume of dried mushroom by approximately 57 tonnes, with a relatively higher average selling price of approximately RMB95.8 per kg; and (iii) the decrease in sales volume of dried agrocybe aegerita by approximately 25 tonnes, with a relatively higher average selling price of approximately RMB123.0 per kg, partially offset by the increase in sales volume of canned bamboo shoots by approximately 251 tonnes, with a relatively lower average selling price of approximately RMB21.3 per kg.

Our sales of dried delicacies increased by approximately RMB17.0 million or 24.1% from approximately RMB70.5 million for FY2020 to approximately RMB87.4 million for FY2021, while our average selling price of dried delicacies increased from approximately RMB62.5 per kg for FY2020 to approximately RMB79.6 per kg for FY2021, primarily because the sales volume of our lotus seeds, with a relatively higher average selling price of approximately RMB88.9 per kg, increased by approximately 252 tonnes; and (ii) we did not receive order for canned bamboo shoots in FY2021.

Dried aquatic products

During the Track Record Period, our sales of dried aquatic products represented approximately 15.7%, 18.7% and 17.3% of our revenue, respectively. Our revenue generated from dried aquatic products increased by approximately RMB6.2 million or 13.4% from approximately RMB46.7 million for FY2019 to approximately RMB53.0 million for FY2020, and our average selling price of dried aquatic products also increased from approximately RMB119.2 per kg for FY2019 to RMB139.7 per kg for FY2020, which was mainly attributable to (i) the increase in sale volume of dried cuttlefish products by approximately 106 tonnes, with a relatively higher average selling price at RMB169.5 per kg; and (ii) the decrease in sales volume of kelp by approximately 86 tonnes, with a relatively lower average selling price at approximately RMB30.3 per kg.

Our sales of dried aquatic products increased by approximately RMB6.0 million or 11.4% from approximately RMB53.0 million for FY2020 to approximately RMB59.0 million for FY2021, while our average selling price of dried aquatic products slightly decreased from approximately RMB139.7 per kg for FY2020 to approximately RMB138.5 for FY2021. The increase in our sales volume and in the average selling price of dried aquatic products in FY2021 was mainly attributable to the net effect of (i) the increase in sales volume of our dried shrimp and dried squid by approximately 4 tonnes and 9 tonnes, respectively, for FY2021; (ii) the increase in sales volume of our dried cuttlefish by approximately 11 tonnes for FY2021; and (iii) the increase in sales volume of dried whitebait by approximately 10 tonnes for FY2021, which the relatively lower average selling price of dried shrimp and dried squid at approximately RMB62.6 per kg and RMB52.1 per kg, respectively, outweighed the relatively higher average selling price of dried cuttlefish and dried whitebait at approximately RMB173.0 per kg and RMB258.1 per kg, respectively, for FY2021, resulting in a slightly lower average selling price at approximately RMB138.5 per kg for FY2021.

Grains

During the Track Record Period, our sales of grains represented approximately 9.7%, 6.3% and 6.2% of our revenue, respectively. Our sales of grains decreased by approximately RMB10.9 million or 37.8% from approximately RMB28.8 million for FY2019 to approximately RMB17.9 million for FY2020, while our average selling price of grains increased from approximately RMB8.2 per kg for FY2019 to RMB11.6 per kg for FY2020. Such increase in the average selling price was mainly due to the decrease in sales volume of rice by approximately 1,241 tonnes for FY2020, with a relatively lower average selling price at approximately RMB6.0 per kg; partially offset by the decrease in sales volume of green bean by approximately 433 tonnes, with a relatively higher average selling price at approximately RMB14.4 per kg for FY2020.

Our revenue generated from grains increased by approximately RMB3.5 million or 19.3% from approximately RMB17.9 million for FY2020 to approximately RMB21.4 million for FY2021, while our average selling price increased from approximately RMB11.6 per kg for FY2020 to approximately RMB12.2 per kg for FY2021. The increase in sales volume was mainly attributable to the recovery in our sales from green bean by approximately 166 tonnes for FY2021 with higher average selling price of approximately RMB14.2 per kg.

Seasonings and others

During the Track Record Period, our sales of seasonings and others represented approximately 2.2%, 1.5% and 0.9% of our revenue, respectively. Our revenue generated from seasonings and others decreased by approximately RMB2.5 million or 37.9% from approximately RMB6.7 million in FY2019 to approximately RMB4.1 million in FY2020 and further decreased to approximately RMB3.2 million in FY2021, while the average selling price decreased slightly from approximately RMB13.0 per kg for FY2019 to approximately RMB12.1 per kg for FY2020 to approximately RMB10.1 per kg in FY2021, respectively. The decreasing trend in both sales and average selling price of seasonings and others were mainly attributable to (i) the decrease in sales volume of sugar of approximately 188.4 tonnes for FY2020, which the average selling price of sugar remained relatively stable at RMB9.2 per kg for FY2019 and approximately RMB10.2 per kg for FY2020; and (ii) the average selling price of edible oil had been decreasing continuously from approximately RMB84.4 per kg for FY2019 to approximately RMB20.5 per kg for FY2020 and further to approximately RMB15.9 per kg for FY2021, and therefore we reduced our sales effort on promoting this product which resulted in a drop in the sales volume from approximately 16 tonnes for FY2019 to approximately three tonnes for FY2021.

(c) Revenue by sales channels

The table below sets out a breakdown of our revenue categorised by sales channel 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 *(Note)*	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.

Retailers

During the Track Record Period, our sale to retailers represented the largest share of our revenue, accounted for approximately 80.3%, 83.7% and 84.2%, respectively.

Supermarkets

Our sale to supermarkets decreased from approximately RMB208.1 million for FY2019 to approximately RMB196.0 million for FY2020. Such decrease is mainly due to (i) the decrease in sale to Customer Group C by approximately RMB5.0 million of which the sale was shifted to concessionary counters sale; (ii) the decrease in sale of grains products to Customer B by approximately RMB6.0 million; and (iii) the decrease in sale to a customer by approximately RMB1.9 million caused by COVID-19 pandemic.

During FY2021, our sale to supermarkets increased by approximately RMB34.7 million or 17.7%. Such increase was mainly attributable to increase in sale to Customer Group C by approximately RMB27.9 million in relation to our newly launched instant meat snacks.

Concessionary counters

Our sale to concessionary counters increased from approximately RMB29.2 million for FY2019 to approximately RMB38.7 million for FY2020. Such increase was mainly due to (i) approximately RMB5.0 million sale shifted from direct sales to supermarkets in relation to Customer Group C as discussed above; and (ii) increase in revenue by approximately RMB4.5 million generated from Customer Group A because of the increase in number of concessionary counters.

During FY2021, our sale to concessionary counters increased by approximately RMB11.9 million, such increase is due to our strategy to focus our marketing resources on concessionary counters with heavy pedestrian flow and we have assigned more promoters to these concessionary counters.

Our Directors considered that sale over concessionary counters directly increase our brand exposure to the public. As at 31 December 2019, 2020 and 2021, we had 94, 119 and 120 concessionary counters, respectively. Despite the slowdown of the increase in number of concessionary counters in FY2021, our revenue for the corresponding period increased significantly, which is a result of our focused marketing resources on concessionary counters located at prominent commercial districts with heavy pedestrian flow while closing down concessionary counters that were less profitable.

Non-retailers

Corporate customers

Our sale to corporate customers decreased by approximately RMB15.0 million or 26.2% for FY2020, such decrease was mainly due to decrease in sales to small-scale corporate customers which, to the best knowledge of our Directors, could not survive in the economic downturn during the COVID-19 pandemic.

During FY2021, our sale to corporate customers increased by approximately RMB9.0 million or 21.3%, such increase was mainly due to the increase of sale in dried aquatic products, in particular the increase in sale of dried squid by approximately RMB5.7 million for FY2021.

E-commerce

Our sales from E-commerce increased from approximately RMB0.8 million for FY2019 to approximately RMB3.9 million for FY2020. Such increase was mainly due to the stronger demand resulted from online consumers under lockdown measures during the COVID-19 pandemic.

Our sales from E-commerce decreased from approximately RMB3.9 million for FY2020 to approximately RMB2.7 million for FY2021.

Cost of sales

Our cost of sales mainly comprised of (i) direct materials costs, (ii) production costs; (iii) direct labour costs; and (iv) others. The following table sets out a breakdown of our cost of sales for the years indicated:

	FY2019	FY2020	FY2021
	RMB'000	*RMB'000*	*RMB'000*
Direct materials costs	186,391	172,187	209,577
Production costs	7,343	9,467	12,001
Direct labour costs	7,310	11,065	11,820
(Reversal of) provision for sales return, net	1,197	209	(51)
(Reversal of) provision for obsolete inventories	(1,094)	(627)	171
	201,147	192,301	233,518

Direct materials costs was the largest component of our cost of sales and accounted for approximately 92.7%, 89.5%, and 89.7% of the total cost of sales for the Track Record Period, respectively. Direct materials costs included but not limited to purchase of dried aquatic products, lotus seeds, fungi, chicken wing tips and duck necks. The decrease in direct materials costs by approximately RMB14.2 million or 7.6% from approximately RMB186.4 million for FY2019 to approximately RMB172.2 million for FY2020 was generally in line with the decrease in our revenue. The direct materials costs increased by approximately RMB37.4 million or 21.7% from approximately RMB172.2 million for FY2020 to approximately RMB209.6 million for FY2021, which was generally in line with the increase in our revenue.

Production costs mainly comprised of depreciation, utilities and production consumables. Our production costs increased from approximately RMB7.3 million for FY2019 to approximately RMB9.5 million for FY2020 and further increased to approximately RMB12.0 million for FY2021. Such increase was mainly due to the increase in utilities expenses of the Guangchang Plant, which is dedicated for the production of instant snacks, as our instant meat production line commenced operation in FY2021 and our sale of instant snacks was on an increasing trend during the Track Record Period.

Direct labour costs increased from approximately RMB7.3 million for FY2019 to approximately RMB11.1 million for FY2020, which was mainly attributable to the increase in the number of production staff (including temporary workers) from 357 as at 31 December 2019 to 421 as at 31 December 2020. Direct labour costs increased from approximately RMB11.1 million for FY2020 to approximately RMB11.8 million for FY2021, which was mainly attributable to the increase in average salary of staff related to production in FY2021.

Based on our best estimates, for illustrative purpose only, the table below shows the sensitivity of our profit before tax during the Track Record Period with regard to certain possible changes in the cost of direct materials during the same year, assuming all other variables remain constant:

	Change in direct materials costs *(Note 2)*		
Hypothetical fluctuations *(Note 1)*	**-/+ 5%**	**-/+ 10%**	**-/+ 15%**
	RMB'000	*RMB'000*	*RMB'000*
Increase/(decrease) in profit before tax			
FY2019	9,320/(9,320)	18,639/(18,639)	27,959/(27,959)
FY2020	8,609/(8,609)	17,219/(17,219)	25,828/(25,828)
FY2021	10,479/(10,479)	20,958/(20,958)	31,437/(31,437)

Notes:

(1) Hypothetical fluctuations in direct materials costs are assumed to be 5%, 10% and 15% for illustrative purpose.

(2) Save for hypothetical fluctuations in direct materials costs, all other factors are assumed to remain unchanged.

Gross profit and gross profit margin

During the Track Record Period, we recorded (i) gross profit of approximately RMB96.3 million, RMB90.6 million and RMB108.5 million, respectively; and (ii) gross profit margin of approximately 32.4%, 32.0% and 31.7%, respectively.

(a) Gross profit and gross profit margin — by product line

The following table sets forth a breakdown of gross profit and gross profit margin by product line during the Track Record Period:

	FY2019		FY2020		FY2021	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*
Instant snacks	32,757	25.5	43,551	31.7	59,189	34.6
Dried delicacies	32,492	37.4	22,055	31.3	25,578	29.3
Dried aquatic products	17,390	37.2	16,499	31.2	16,259	27.6
Grains	11,509	40.0	7,114	39.7	6,416	30.0
Seasonings and others	2,103	31.5	1,369	33.0	1,038	32.8
	96,251	32.4	90,588	32.0	108,480	31.7

Instant snacks

Our gross profit generated from sale of instant snacks increased by approximately RMB10.8 million or 33.0% from approximately RMB32.8 million in FY2019 to RMB43.6 million in FY2020 while gross profit margin increased from approximately 25.5% in FY2019 to 31.7% in FY2020. The increase in gross profit generated from instant snacks was mainly due to increase in revenue attributable to sale of instant snacks as discussed above. The increase in gross profit margin of instant snacks was mainly attributable to (i) revenue generated from our instant snacks in FY2020, including spicy kelp and spicy enoki mushroom series with relatively higher profit margin of approximately 30.4% and 42.0%, respectively; (ii) increase in revenue generated from pistachios with gross profit margin of approximately 35.0%; and (iii) decrease in revenue generated from fragrant lotus seeds with relatively lower profit margin of approximately 25.7%.

Our gross profit generated from sales of instant snacks further increased by approximately RMB15.6 million or 35.9% in FY2021 while gross profit margin steadily increased to approximately 34.6%. The increase in gross profit and gross profit margin generated from instant snacks was mainly attributable to (i) revenue of approximately RMB30.7 million contributed by our new instant meat snacks released in FY2021, including marinated chicken wings tips series and roasted duck necks series, with relatively higher gross profit margin of approximately 60.3% and 55.9%, respectively; and (ii) decrease in gross profit derived from instant vegetable snack products which generally have a lower gross profit margin as compared to instant meat snacks.

Dried delicacies

Our gross profit generated from sales of dried delicacies decreased by approximately RMB10.4 million or 32.1% from approximately RMB32.5 million in FY2019 to RMB22.1 million in FY2020 as a result of decrease of sales volume of dried delicacies products as discussed above. The decrease of gross profit margin from approximately 37.4% in FY2019 to 31.3% in FY2020 was mainly attributable to the drop of gross profit margin of dried mushrooms in FY2020 by approximately 10.2%. Dried mushroom is one of our best selling dried delicacies products that contributed approximately RMB14.4 million to our dried delicacies revenue in FY2020.

Our gross profit generated from sales of dried delicacies increased by approximately RMB3.5 million or approximately 16.0% in FY2021 while gross profit margin slightly decreased from 31.3% in FY2020 to 29.3% in FY2021. The increase in gross profit generated from dried delicacies was mainly due to the increase in average selling price of our dried delicacies products as discussed above. The slight decrease in gross profit margin was mainly attributable to increase in revenue generated from sales of black fungi with relatively lower gross profit margin of approximately 24.5%.

Dried aquatic products

Our gross profit generated from sales of dried aquatic products decreased by approximately RMB0.9 million or 5.1% from approximately RMB17.4 million in FY2019 to RMB16.5 million in FY2020, while gross profit margin decreased from approximately 37.2% in FY2019 to 31.2% in FY2020. Such decrease in gross profit margin was mainly due to the increase in gross profit contributed by sales of dried cuttlefish products with a relatively lower profit margin of approximately 28.9% in FY2020.

Our gross profit generated from sales of dried aquatic products slightly decreased by approximately RMB0.2 million or approximately 1.5% in FY2021, while gross profit margin decreased from approximately 31.2% in FY2020 to approximately 27.6% in FY2021. Such decrease in gross profit margin was mainly attributable to the increase in gross profit contributed by sales of dried cuttlefish products with a relatively lower profit margin of approximately 28.0%.

Grains

Our gross profit generated from sales of grains decreased by approximately RMB4.4 million or 38.2% from approximately RMB11.5 million in FY2019 to RMB7.1 million in FY2020, mainly attributable to the decrease in sales volume of grains products in FY2020 as discussed above. The gross profit margin of grains remained stable at approximately 40.0% in FY2019 and 39.7% in FY2020.

Our gross profit generated from sales of grains further decreased by approximately RMB0.7 million or 9.8% in FY2021, while gross profit margin of our grains products decreased from approximately 39.7% in FY2020 to approximately 30.0% in FY2021. Such decrease in gross profit margin was mainly attributable to increase in revenue generated from green beans, which contributed approximately RMB4.0 million to our revenue from sale of grains in FY2021 with a relatively lower profit margin of approximately 28.7%.

Seasonings and others

Our gross profit generated from sales of seasonings and others decreased by approximately RMB0.7 million or 34.9% from approximately RMB2.1 million in FY2019 to RMB1.4 million in FY2020, mainly attributable to decrease in sales volume and average selling price of seasonings and others as discussed above. The gross profit margin of seasonings and others slightly increased from approximately 31.5% in FY2019 to 33.0% in FY2020 as a result of a larger portion of revenue of seasonings and others in FY2020 derived from sales of white sugar with relatively higher profit margin of approximately 35.6%.

Our gross profit generated from sales of seasoning and others further decreased by approximately RMB0.3 million or 24.2% in FY2021 as a result of decrease of sales volume and average selling price of seasonings and others as discussed above. The gross profit margin of seasonings and others remained stable at approximately 33.0% in FY2020 and 32.8% in FY2021.

(b) Gross profit and gross profit margin — by brand

The following table sets forth a breakdown of gross profit and gross profit margin by brand during the Track Record Period:

	FY2019		**FY2020**		**FY2021**	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*
Own-branded products						
Shengyao (聲耀)	66,304	32.2	67,457	32.4	77,909	35.2
Gangweifang (贛味坊). . .	4,393	24.9	6,507	31.5	6,213	21.2
	70,697	31.6	73,964	32.3	84,122	33.6
Trading products	25,554	34.5	16,624	30.8	24,358	26.6
	96,251	32.4	90,588	32.0	108,480	31.7

Own-branded products

Shengyao (聲耀)

Our gross profit for "Shengyao (聲耀)" products increased from approximately RMB66.3 million for FY2019 to approximately RMB67.5 million for FY2020, while the gross profit margin remained relatively stable at approximately 32.2% for FY2019 and approximately 32.4% for FY2020. Such increase in gross profit was mainly attributable to (i) the increase in gross profit from our dried cuttlefish by approximately RMB7.2 million; and (ii) the increase in sales of our instant vegetable snacks spicy bamboo shoots by approximately RMB3.3 million, partially offset by the decrease in gross profit from our fragrant lotus seeds by approximately RMB10.7 million.

Our gross profit for "Shengyao (聲耀)" products increased significantly from approximately RMB67.5 million for FY2020 to approximately RMB77.9 million for FY2021, while the gross profit margin increased from approximately 32.4% for FY2020 to approximately 35.2% for FY2021. Such increase in both gross profit and gross profit margin was mainly attributable to the launch of our instant meat snacks, which generated gross profit of approximately RMB29.1 million with relatively higher average gross profit margin of approximately 47.9%. In particular, such increase was mainly attributable to the increase in sales of our instant meat snacks marinated chicken wing tips series and roasted duck necks series, which generated gross profit of approximately RMB17.6 million with an even higher gross profit margin at approximately 60.3% and 55.9% for FY2021, respectively.

Gangweifang (贛味坊)

Our gross profit for "Gangweifang (贛味坊)" products increased from approximately RMB4.4 million for FY2019 to approximately RMB6.5 million for FY2020 and slightly decreased to approximately RMB6.2 million for FY2021, while the gross profit margin increased from approximately 24.9% for FY2019 to approximately 31.5% for FY2020 and decreased to approximately 21.2% for FY2021. Such increase in gross profit in FY2020 was mainly attributable to the increase in gross profit of pistachios by approximately RMB2.7 million in FY2020. The gross profit margin of "Gangweifang (贛味坊)" products was generally in line with the trend of the gross profit margin of pistachios, which accounted for the largest share of our "Gangweifang (贛味坊)" products in terms of revenue throughout the Track Record Period, which increased from approximately 28.3% for FY2019 to approximately 33.1% for FY2020 and decreased to approximately 22.2% for FY2021.

Trading products

Our gross profit for trading products decreased from approximately RMB25.6 million for FY2019 to approximately RMB16.6 million for FY2020, and the gross profit margin also decreased from approximately 34.5% for FY2019 to approximately 30.8% for FY2020. Such decrease in gross profit was mainly attributable to the decrease in gross profit generated by dried whitebait by approximately RMB4.8 million and the decrease in gross profit generated by dried mushroom by approximately RMB3.2 million. The decrease in gross profit margin in FY2020 was primarily because of the decrease in gross profit contribution by dried whitebait, a product with relatively higher gross profit margin at approximately 49.1% in FY2019.

Our gross profit for trading products increased from approximately RMB16.6 million for FY2020 to approximately RMB24.4 million for FY2021, while the gross profit margin further decreased from approximately 30.8% for FY2020 to approximately 26.6% for FY2021, which was mainly attributable to (i) the increase in gross profit of lotus seeds by approximately RMB6.6 million with a relatively lower gross profit margin of approximately 25.8%; and (ii) the increase in gross profit of almonds by approximately RMB1.0 million with a relatively lower gross profit margin of approximately 26.1%.

(c) Gross profit and gross profit margin — by own-branded instant snacks

The following table sets forth a breakdown of gross profit and gross profit margin of our own-branded instant snacks products during the Track Record Period:

	FY2019		**FY2020**		**FY2021**	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*
Vegetable	28,886	24.7	37,946	31.8	22,477	27.6
Meat	—	N/A	—	N/A	29,078	47.9
	28,886	24.7	37,946	31.8	51,555	36.3

The gross profit of our instant snacks products was on an increasing trend during the Track Record Period which increased from approximately RMB28.9 million for FY2019 to approximately RMB37.9 million for FY2020 and further to approximately RMB51.6 million for FY2021, while the gross profit margin increased from approximately 24.7% for FY2019 to approximately 31.8% for FY2020 and further to approximately 36.3% for FY2021. The increase in gross profit and gross profit margin of our instant snacks products for FY2020 was mainly attributable to (i) the increase in gross profit from our instant vegetable snacks spicy bamboo shoots series by approximately RMB3.3 million with relatively higher gross profit margin of approximately 35.1%;

(ii) the increase in gross profit of our instant vegetable snacks spicy enoki mushroom series by approximately RMB4.7 million with relatively higher gross profit margin of approximately 42.0%; and (iii) the increase in gross profit of our instant vegetable snacks spicy kelp series by approximately RMB4.7 million with relatively higher gross profit margin of approximately 30.4%, partially offset by the decrease in gross profit of our fragrant lotus seeds by approximately RMB10.7 million with relatively lower gross profit margin of approximately 25.7%.

Our gross profit and gross profit margin increased to approximately RMB51.6 million and 36.3%, respectively in FY2021, mainly attributable to the increase in sales of our newly launched instant meat snacks as mentioned above.

The decrease in gross profit margin of our instant vegetable snack products for FY2021 was mainly attributable to the decreasing gross profit margin of our nuts products from approximately 32.6% for FY2020 to approximately 21.2% for FY2021. Our Directors would like to emphasise that, despite the aforesaid decreasing trend of the gross profit margin of our nuts products, we are able to maintain a relatively stable gross profit margin for other instant vegetable snacks products of approximately 31.5% for both FY2020 and FY2021.

(d) Gross profit and gross profit margin — by sales channels

The following table sets forth a breakdown of gross profit and gross profit margin by sales channels during the Track Record Period:

	FY2019		FY2020		FY2021	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*
Retailers						
Supermarkets	62,569	30.1	56,819	29.0	72,990	31.6
Concessionary counters	13,190	45.2	16,697	43.1	18,599	36.8
Grocery stores	804	50.6	913	47.2	1,393	21.1
Subtotal	76,563	32.1	74,429	31.4	92,982	32.3
Corporate customers	19,390	33.9	14,763	34.9	14,662	28.6
E-commerce	147	17.5	1,394	35.3	811	29.7
Others	151	32.9	2	9.1	25	26.3
Total	96,251	32.4	90,588	32.0	108,480	31.7

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.

Our gross profit and gross profit margin for different sales channels largely depend on the mix of products sold under the respective sales channel, which in turn depend on the respective demand of our particular products during the period.

Retailers

Our differences in gross profit margins for direct sales to supermarkets and sales over concessionary counters in supermarkets were the result of different sales model and recognition of revenue between (i) direct sales to supermarkets; and (ii) sales over concessionary counters in supermarkets. Please refer to the paragraph headed "Business — Retailers — Our relationship with supermarkets" in this document for details. Based on that (i) our revenue derived from direct sales to supermarkets are recognised net of the lump-sum fees charged by our supermarket customers, whereas no such deduction was made to our revenue derived from sales over concessionary counters; (ii) our promotional fees regarding sales over concessionary counters charged by supermarkets are recorded as our marketing and promotion expenses under distribution and selling expenses; (iii) we generally charged lower product prices against supermarkets under direct sales to them as we offered bulk purchase discount to supermarket customers with selling prices lower than that of the product prices (i.e. at retail prices) we charged under sales over concessionary sales model; and (iv) differences in product mix throughout the Track Record Period, our gross profit margin of sales over concessionary counters in supermarkets was generally higher than that of our gross profit margin of direct sales to supermarkets.

Supermarkets

The gross profit for direct sales made to supermarkets decreased from approximately RMB62.6 million for FY2019 to approximately RMB56.8 million for FY2020, and the gross profit margin also slightly decreased from approximately 30.1% for FY2019 to approximately 29.0% for FY2020. The decrease in both gross profit and gross profit margin for direct sales made to supermarkets was mainly attributable to the decrease in gross profit generated from Customer B by approximately RMB6.1 million, in particular a decline in gross profit generated from dried whitebait by approximately RMB4.2 million with a gross profit margin of approximately 28.4%.

The gross profit for direct sales made to supermarkets increased from approximately RMB56.8 million for FY2020 to approximately RMB73.0 million for FY2021, while the gross profit margin slightly increased to approximately 31.6% for FY2021. The increase in both gross profit and gross profit margin was mainly due to the increase in sales of our newly launched instant meat snacks, which generally have a higher gross profit margin as discussed above.

Concessionary counters

Our gross profit for sales over concessionary counters increased from approximately RMB13.2 million for FY2019 to approximately RMB16.7 million for FY2020, while the gross profit margin remained relatively stable at approximately 45.2% for FY2019 to approximately 43.1% for FY2020. Such increase in gross profit was mainly attributable to the increase in gross profit generated from Customer Group A and Customer Group C by approximately RMB4.6 million for FY2020 as a result of the increase in number of concessionary counters in their stores.

Our gross profit for sales over concessionary counters further increased to approximately RMB18.6 million for FY2021, while the gross profit margin decreased to approximately 36.8% for FY2021. The increase in gross profit and decrease in gross profit margin was mainly attributable to the increase in sales of certain products with relatively lower gross profit margin, such as dried cuttlefish, biscuits and fungi, which outweighed the increase in sales of our instant meat snacks products with relatively higher gross profit margin. The gross profit margin of our dried cuttlefish, biscuits and fungi ranged from approximately 19.5% to 33.6% for FY2021.

Grocery stores

Our gross profit for sales to grocery stores was on increasing trend during the Track Record Period, which increased from approximately RMB0.8 million for FY2019 to approximately RMB0.9 million for FY2020, and further to approximately RMB1.4 million for FY2021. The gross profit margin for sales to grocery stores was approximately 50.6%, 47.2% and 21.1% for FY2019, FY2020 and FY2021, respectively. For FY2021, our gross profit margin for sales to grocery stores decreased to approximately 21.1% as we adopted a relatively competitive pricing strategy for our grocery stores customers. Considering that (i) our grocery stores customers generally operate in a smaller scale than our supermarkets customers and corporate customers, and hence are less affordable in terms of purchasing power; and (ii) certain grocery stores customers are located outside of Jiangxi Province, such that we had sold our products to such grocery stores at relatively lower prices to align with our marketing strategy to promote and penetrate our brands and products across other provinces in the PRC.

Non-retailers

Corporate customers

Our gross profit for corporate customers decreased from approximately RMB19.4 million for FY2019 to approximately RMB14.8 million for FY2020, while the gross profit margin increased from approximately 33.9% for FY2019 to approximately 34.9% for FY2020, which was mainly due to (i) the decrease in gross profit of black fungi from approximately RMB3.5 million to approximately RMB0.5 million, while the gross profit margin of such product increased from approximately 43.3% to approximately 43.7%; and (ii) the decrease in gross profit of our dried mushroom products from approximately RMB2.1 million for FY2019 to approximately RMB1.5 million for FY2020, while the gross profit margin of such product increased from approximately 39.8% for FY2019 to approximately 50.1% for FY2020.

Our gross profit for corporate customers remained relatively stable at approximately RMB14.8 million for FY2020 and RMB14.7 million for FY2021, while our gross profit margin for corporate customers decreased from approximately 34.9% for FY2020 to approximately 28.6% for FY2021, which was mainly due to our competitive pricing strategy to offer our newly launched instant meat products to corporate customers at discounts to promote such products. Our Directors considered that, by offering competitive prices to our corporate customers, we will be able to better penetrate the instant snack market by leveraging the network of our corporate customers to raise awareness of our instant meat snacks.

E-commerce

Our gross profit for E-commerce increased from approximately RMB0.1 million for FY2019 to approximately RMB1.4 million for FY2020 but decreased to approximately RMB0.8 million for FY2021, while the gross profit margin increased from approximately 17.5% for FY2019 to approximately 35.3% for FY2020, which was mainly due to the increase of gross profit generated from pistachios and watermelon seeds with relatively higher gross profit margin. The gross profit margin decreased to approximately 29.7% for FY2021, which was mainly due to the decrease of gross profit generated from pistachios by RMB0.9 million with relatively higher gross profit margin.

Other revenue

The following table sets forth a breakdown of other revenue of our Group for the years indicated:

	FY2019	FY2020	FY2021
	RMB'000	*RMB'000*	*RMB'000*
Government grants	4,122	4,620	3,690
Interest income from bank deposits	125	273	307
Rental income	110	220	184
Imputed interest on government grant receivable	78	40	—
Others	65	—	—
	4,500	5,153	4,181

Other revenue mainly comprised government grants, interest income from bank deposits and rental income. Government grants were one-off in nature and mainly represented grants received from the PRC local government authority as subsidies to our Group, including (i) incentive of agricultural development for FY2019, FY2020 and FY2021 which our Group was required to lease over 40 acres land in agricultural use for ten years; (ii) government grant related to successful listing on the NEEQ for FY2019 and FY2020 which does not have other unfulfilled obligations; and (iii) government grant for revenue growth for FY2020 which does not have other unfulfilled obligations.

Other revenue increased from approximately RMB4.5 million for FY2019 to approximately RMB5.2 million for FY2020, which was mainly due to the increase in government grants received of approximately RMB0.5 million. Other revenue decreased to approximately RMB4.2 million for FY2021, mainly attributable to the decrease in government grants received by approximately RMB0.9 million.

Other gain and losses

The following table sets forth a breakdown of other gain and losses of our Group for the years indicated:

	FY2019	FY2020	FY2021
	RMB'000	*RMB'000*	*RMB'000*
Reversal for the provision of staff social insurance	2,937	3,537	1,179
Gain on changes in fair value of investment property	70	160	1,100
Gain from early termination of subleases	—	—	1,782
Exchange loss, net.	—	(29)	—
Losses on disposals of property, plant and equipment	(74)	(13)	(264)
Loss from net investment in subleases	(1,920)	—	—
	1,013	3,655	3,797

Other gain and losses increased from approximately RMB1.0 million for FY2019 to approximately RMB3.7 million for FY2020, which was mainly attributable to (i) the decrease in loss from net investment in subleases by approximately RMB1.9 million; and (ii) the increase in reversal for the provision of staff social insurance by approximately RMB0.6 million. Other gain and losses increased to approximately RMB3.8 million for FY2021. Such increase was mainly attributable to (i) the increase in gain from early termination of subleases of approximately RMB1.8 million, (ii) the increase in gain on change in fair value of investment property of approximately RMB0.9 million, partially offset by the decrease in the reversal for the provision of staff social insurance of approximately RMB2.4 million.

Distribution and selling expenses

The following table sets forth a breakdown of our distribution and selling expenses for the years indicated:

	FY2019	FY2020	FY2021
	RMB'000	*RMB'000*	*RMB'000*
Staff costs	13,424	11,401	15,820
Delivery and inspection	3,869	3,184	4,849
Marketing and promotion	3,175	3,221	4,758
Office expenses and others	1,409	2,508	2,797
	21,877	20,314	28,224

Distribution and selling expenses comprised of staff costs, delivery and inspection, marketing and promotion, and office expenses and others. Our distribution and selling expenses decreased from approximately RMB21.9 million for FY2019 to approximately RMB20.3 million for FY2020, which was mainly attributable to the decrease in staff costs by approximately RMB2.0 million as a result of the decrease in number of our sales representatives and promoters. Our distribution and selling expenses increased from approximately RMB20.3 million for FY2020 to approximately RMB28.2 million for FY2021, which was mainly due to (i) the increase in staff costs by approximately RMB4.4 million due to the increase in number of our sales representatives and promoters; and (ii) the increase in cost of delivery and inspection by approximately RMB1.7 million which was generally in line with the increase in our revenue.

Administrative expenses

Administrative expenses mainly comprised of research and development, staff cost, legal and professional expenses, depreciation and amortisation, other taxes, entertainment and transportation expenses, office expenses and others. The following table sets forth a breakdown of our administrative expenses for the years indicated:

	FY2019	FY2020	FY2021
	RMB'000	*RMB'000*	*RMB'000*
Staff costs	3,210	3,600	4,787
Other taxes	1,468	1,614	1,778
Entertainment and transportation expenses	1,232	1,238	1,375
Depreciation and amortisation	1,487	1,290	1,273
Research and development	9,491	10,225	10,386
Utility expenses	252	147	190
Legal and professional expenses	1,936	544	465
Maintenance expenses	370	992	1,508
Office expenses and others	969	854	1,368
	20,415	20,504	23,130

Our administrative expenses slightly increased from approximately RMB20.4 million for FY2019 to approximately RMB20.5 million for FY2020, which was mainly due to (i) the increase in research and development cost by approximately RMB0.7 million as a result of the increase in number of staff related to research and development from approximately 44 as at 31 December 2019 to 45 as at 31 December 2020 and the increase in cost of product testing by approximately RMB0.4 million; (ii) the increase in staff costs by approximately RMB0.4 million as a result of the increase in number of administrative staff from approximately 44 as at 31 December 2019 to 45 as at 31 December 2020; and (iii) the increase in maintenance expenses by approximately RMB0.6 million in respect of machineries in Guangchang Plant; partially offset by the decrease in legal and professional expenses by approximately RMB0.9 million due to the one-off professional services fee incurred for delisting from NEEQ in FY2019.

Our administrative expenses increased from approximately RMB20.5 million for FY2020 to approximately RMB23.1 million for FY2021, which was mainly due to (i) the increase in staff costs of approximately RMB1.2 million as a result of the increase in number of administrative staff from approximately 40 in FY2020 to approximately 49 in FY2021; and (ii) the increase in maintenance expenses of approximately RMB0.5 million in respect of machineries in Guangchang Plant.

Finance costs

The following table sets forth a breakdown of our finance costs for the years indicated:

	FY2019	FY2020	FY2021
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on bank and other borrowings	7,255	7,519	5,966
Guarantee fee	110	68	22
Interest expenses on lease liabilities	165	173	162
	7,530	7,760	6,150

Our finance costs mainly represented interest expenses on bank and other borrowings. During the Track Record Period, our finance costs were approximately RMB7.5 million, RMB7.8 million and RMB6.2 million, respectively. The increase in finance costs for FY2020 was generally in line with the increase in bank and other borrowings as at 31 December 2020. The decrease in finance costs for FY2021 was due to the decrease in average amount of bank and other borrowings for FY2021.

Taxation

Our taxation comprised of (i) profit tax expenses of EIT; and (ii) deferred tax expenses. Our taxation decreased by approximately RMB0.9 million or 12.9% from approximately RMB7.3 million for FY2019 to approximately RMB6.4 million for FY2020. The decrease was primarily due to the decrease in profit before tax of approximately RMB1.0 million, and the decrease in deferred tax assets. Our taxation increased from approximately RMB6.4 million for FY2020 to approximately RMB9.6 million for FY2021, which was mainly due to the increase in profit before tax of approximately RMB10.5 million. Our effective tax rate was approximately 15.2%, 13.5% and 16.2% during the Track Record Period, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

During the Track Record Period, our primary use of cash had been the payment for purchases of raw materials for manufacturing, staff costs and welfares, production costs and various operating expenses. Historically, we have financed our liquidity requirements through a combination of cash generated from our operating activities and bank borrowings.

Cash flows

	FY2019	FY2020	FY2021
	RMB'000	*RMB'000*	*RMB'000*
Operating profit before working capital change	56,566	52,928	63,560
Change in working capital	(37,604)	39,201	(28,583)
Net cash generated from operations	18,962	92,129	34,977
Income tax paid	(8,374)	(5,570)	(7,905)
Net cash generated from operating activities	10,588	86,559	27,072
Net cash used in investing activities	(2,629)	(3,105)	(7,187)
Net cash generated from/(used in) financing activities	32,507	17,748	(34,902)
Net increase/(decrease) in cash and cash equivalents	40,466	101,202	(15,017)
Cash and cash equivalents at the beginning of the year	670	41,136	142,338
Cash and cash equivalents at the end of the year	41,136	142,338	127,321

Cash flows from operating activities

Net cash generated from operating activities for FY2019 was approximately RMB10.6 million. Operating cash flows before changes in working capital were approximately RMB56.6 million, primarily reflecting profit before income taxation of approximately RMB48.3 million, as positively adjusted by interest expenses of approximately RMB7.5 million, reversal of the provision of social insurance of approximately RMB2.9 million, depreciation of property, plant and equipment of approximately RMB2.4 million, and loss from net investment in subleases of approximately RMB1.9 million. Change in working capital contributed to a net cash outflow in the amount of approximately RMB37.6 million, consisting primarily of an increase in trade receivables of approximately RMB46.1 million, and partially mitigated by a decrease in inventories of approximately RMB8.8 million. Operating cash outflow also included payment of income tax of approximately RMB8.4 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraph headed "Selected Items of Combined Statements of Financial Position" in this section.

Net cash generated from operating activities for FY2020 was approximately RMB86.6 million. Operating cash flows before changes in working capital were approximately RMB52.9 million, primarily reflecting profit before income taxation of approximately RMB47.3 million, as positively adjusted by interest expenses of approximately RMB7.8 million, reversal of the provision of social insurance of approximately RMB3.5 million, and depreciation of property, plant and equipment of approximately RMB2.4 million. Change in working capital contributed to a net cash inflow in the amount of approximately RMB39.2 million, consisting primarily of (i) an increase in trade payables of approximately RMB27.6 million; (ii) a decrease in prepayments, deposits and other receivables of approximately RMB24.3 million; and (iii) a decrease in trade receivables of approximately RMB22.5 million, and partially mitigated by an increase in inventories of approximately RMB35.2 million. Operating cash outflow also included payment of income tax of approximately RMB5.6 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraph headed "Selected Items of Combined Statements of Financial Position" in this section.

Net cash generated from operating activities for FY2021 was approximately RMB27.1 million. Operating cash flows before changes in working capital were approximately RMB63.6 million, primarily reflecting profit before income taxation of approximately RMB57.8 million, as positively adjusted by depreciation of property, plant and equipment of approximately RMB3.8 million, interest expenses of approximately RMB6.2 million, gain from early termination of subleases of approximately RMB1.8 million and reversal of the provision of social insurance of approximately RMB1.2 million. Change in working capital contributed to a net cash outflow in the amount of approximately RMB28.6 million, consisting primarily of (i) a decrease in trade payables of approximately RMB9.9 million; (ii) an increase in trade receivables of approximately RMB9.9 million; and (iii) an increase in inventories of approximately RMB8.4 million. Operating cash outflow also included payment of income tax of approximately RMB7.9 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraph headed "Selected Items of Combined Statements of Financial Position" in this section.

Cash flows from investing activities

We recorded net cash used in investing activities of approximately RMB2.6 million for FY2019, primarily as a result of (i) the purchase of plant and machinery of approximately RMB1.5 million; and (ii) the purchases of intangible assets of approximately RMB1.3 million.

We recorded net cash used in investing activities of approximately RMB3.1 million for FY2020, primarily as a result of the purchase of plant, plant and equipment of approximately RMB3.4 million.

We recorded net cash used in investing activities of approximately RMB7.2 million for FY2021, primarily as a result of the purchase of plant, plant and equipment of approximately RMB9.5 million, and partially offset by the net cash inflow from disposal of subsidiary of approximately RMB1.9 million.

Cash flows from financing activities

We recorded net cash generated from financing activities of approximately RMB32.5 million for FY2019, primarily as a result of (i) proceeds from bank borrowings of approximately RMB117.6 million; (ii) the repayment of bank borrowings of approximately RMB93.5 million; (iii) the capital contributions from beneficial shareholders of a subsidiary (representing the **[REDACTED]** from Mr. Lei) of approximately RMB20.0 million; and (iv) the interest paid of approximately RMB6.3 million.

We recorded net cash generated from financing activities of approximately RMB17.7 million for FY2020, primarily as a result of (i) proceeds from bank borrowings of approximately RMB100.3 million; (ii) the repayment of bank borrowings of approximately RMB86.4 million; (iii) the capital contributions from beneficial shareholders of a subsidiary (representing the **[REDACTED]** from Mr. Su) of approximately RMB13.2 million; and (iv) the interest paid of approximately RMB7.7 million.

We recorded net cash used in financing activities of approximately RMB34.9 million for FY2021, primarily as a result of (i) the repayment of bank borrowings of approximately RMB111.6 million; (ii) proceeds from bank borrowings of approximately RMB83.7 million; and (iii) the interest paid of approximately RMB6.2 million.

Sufficiency of working capital

Taking into account the financial resources available to us, including our available credit facilities, cash and cash equivalents on hand, cash flows generated from our operations and our estimated proceeds from the **[REDACTED]** and in the absence of unforeseen circumstances, our Directors are of the opinion that we have available sufficient working capital for our present requirements and for at least 12 months from the date of this document.

Net current assets

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Inventories	62,445	98,248	106,459	69,382
Trade receivables	74,344	52,395	63,163	68,168
Prepayments, deposits and other receivables	37,754	15,631	15,300	10,100
Right of return assets	976	767	818	818
Amount due from a related party	58	58	—	—
Amount due from shareholders	—	343	343	343
Cash and cash equivalents	41,136	142,338	127,321	137,316
	216,713	309,780	313,404	286,127
Current liabilities				
Trade payables	24,774	52,390	42,511	19,859
Other payables and accruals	17,459	14,046	14,380	15,451
Contract liabilities	450	290	593	1,220
Borrowings	80,972	98,586	87,033	64,200
Amount due to a shareholder	—	9	9	9
Lease liabilities	249	238	84	56
Income tax payable	4,306	4,171	5,490	7,979
	128,210	169,730	150,100	108,774
Net current assets	88,503	140,050	163,304	177,353

Our Group recorded net current assets of approximately RMB88.5 million as at 31 December 2019 and recorded an improvement of net current assets of approximately RMB140.0 million as at 31 December 2020, which was mainly attributable to (i) the increase in cash and cash equivalents of approximately RMB101.2 million; and (ii) the increase in inventories of approximately RMB35.8 million, and partially offset by (i) the increase in trade payables of approximately RMB27.6 million; and (ii) the decrease in trade receivables of approximately RMB21.9 million.

Our net current assets further improved by approximately RMB23.3 million from approximately RMB140.0 million as at 31 December 2020 to RMB163.3 million as at 31 December 2021, which was mainly attributable to (i) the increase in trade receivables of approximately RMB10.8 million; and (ii) the decrease in borrowings of approximately RMB11.6 million.

Our net current assets increased to approximately RMB177.4 million as at 30 April 2022, which was mainly attributable to (i) the decrease in trade payables of approximately RMB22.7 million; (ii) the decrease in borrowings of approximately RMB22.8 million; (iii) the increase in trade receivables of approximately RMB5.0 million; and (iv) increase in cash and cash equivalents of approximately RMB10.0 million, and partially offset by (i) the decrease in inventories of approximately RMB37.1 million; and (ii) the decrease in prepayments, deposits and other receivables of approximately RMB5.2 million.

SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

During the Track Record Period, our inventories primarily consisted of raw materials. The following table sets out a summary of our inventories balance as at the dates indicated.

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	46,739	62,495	59,598
Finished goods	16,333	35,753	47,032
	63,072	98,248	106,630
Less: Provision for obsolete inventories loss	(627)	—	(171)
	62,445	98,248	106,459

Our raw materials mainly consisted of lotus seeds, fungi, grains, dried aquatic products and algae and others. Our finished goods represent our products that have completed the manufacturing process but have not yet been sold or distributed to customers. As at 31 December 2019, 2020 and 2021, the balance of our inventories represented approximately 28.8%, 31.7%, and 34.0% of our total current assets, respectively. Pursuant to our inventory policy, the value of inventory shall be stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis and net realisable value means the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. During the Track Record Period, we made provision to the value of our inventories of approximately RMB0.6 million, nil and RMB0.2 million, respectively.

Our inventories increased from approximately RMB62.4 million as at 31 December 2019 to approximately RMB98.2 million as at 31 December 2020, primarily due to the increase in our finished goods of instant snacks from approximately RMB5.0 million as at 31 December 2019 to approximately RMB18.9 million as at 31 December 2020, which was in line with the increase in our sale of instant snacks in FY2020.

Our inventories increased from approximately RMB98.2 million as at 31 December 2020 to approximately RMB106.5 million as of 31 December 2021. Such increase was mainly attributable to the increase in our finished goods of dried delicacies from approximately RMB6.0 million as at 31 December 2020 to approximately RMB14.4 million as at 31 December 2021, which was in line with our increase in sale of dried delicacies in FY2021, and partially offset by the decrease in raw materials due to the enchantment of our inventory control and procurement control in FY2021.

The following table sets out our average inventory turnover days for the years indicated:

	FY2019	**FY2020**	**FY2021**
Average inventory turnover day(s) *(Note)* . .	120.3	152.5	160.0

Note: Average inventory turnover days are calculated by averaging the inventories balance as at the beginning and as at the end of a particular period, dividing by cost of sales during the period and multiplying the number of days in the period.

Our average inventory turnover days increased from approximately 120.3 days for FY2019 to approximately 152.5 days for FY2020, and further increased to approximately 160.0 days for FY2021, which was primarily due to increase in our inventory balance as at 31 December 2020 and 31 December 2021, as discussed above.

The following table sets out our inventory ageing analysis as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	46,102	61,270	81,080
91-180 days	3,650	18,070	18,449
181-365 days.	11,830	18,758	6,780
Over 365 days.	863	150	150
	62,445	98,248	106,459

As at the Latest Practicable Date, approximately RMB82.8 million or 77.8% of our inventories as at 31 December 2021 were subsequently utilised/sold.

Trade receivables

The following table sets forth a breakdown of our trade receivables as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	76,143	53,640	63,507
Less: Impairment provision	(1,799)	(1,245)	(344)
	74,344	52,395	63,163

Trade receivables mainly represented the outstanding amounts receivable by us from the sales of our products. Our trade receivables amounted to approximately RMB74.3 million, RMB52.4 million and RMB63.2 million as at 31 December 2019, 2020 and 2021, respectively. Our Group's credit terms generally request payment from our customers of 30 to 90 days. The decrease in our trade receivables as at 31 December 2020 was generally in line with the decrease in our revenue in FY2020. The increase in our trade receivables as at 31 December 2021 was generally in line with the increase in our revenue in FY2021.

The following table sets out our average trade receivables turnover days for the years indicated:

	FY2019	**FY2020**	**FY2021**
Average trade receivables turnover day(s) *(Note)*	63.0	81.8	61.7

Note: Average trade receivables turnover days are calculated by averaging the trade receivables balance after impairment as at the beginning and as at the end of a particular period, dividing such average by revenue during the period and multiplying the number of days in the period.

Our average trade receivables turnover days increased from approximately 63.0 days for FY2019 to approximately 81.8 days for FY2020, which was mainly because certain customers took a longer time to authorise or arrange the settlement as a result of temporary travel restrictions or other lockdown measures imposed by the PRC Government in response to the outbreak of the COVID-19. Our average trade receivables turnover days decreased from approximately 81.8 days for FY2020 to approximately 61.7 days for FY2021, primarily due to our enhanced collection efforts after the stabilisation of COVID-19 in FY2021. Our average trade receivables turnover days during the Track Record Period were in line with our credit period that we granted to our customers (i.e. 30 to 90 days).

The ageing analysis of trade receivables, based on invoice dates, as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	53,185	41,315	37,657
31 to 60 days	17,860	11,985	25,510
61 to 90 days	4,453	—	—
Over 90 days	645	340	340
	76,143	53,640	63,507

Our Group generally allows an average credit period of 30 to 90 days to our customers. Approximately 99.2%, 99.4% and 99.5% of our trade receivables as at 31 December 2019, 2020 and 2021 were aged within 90 days from the invoice dates. We seek to maintain strict control over our outstanding receivables to minimise the credit risk. We did not require any collateral as security.

As at the Latest Practicable Date, approximately RMB62.8 million or 98.9% of trade receivables as at 31 December 2021 were subsequently settled.

Prepayments, deposits and other receivables

The following table sets forth a breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Payment in advance to suppliers	26,867	658	—
Other receivables	8,901	11,279	10,040
Deferred **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Deposit	422	348	336
Prepayments	373	656	521
Value added tax recoverable	19	141	1,275
	37,828	15,679	15,356
Less: Impairment provision	(74)	(48)	(56)
	37,754	15,631	15,300

Our prepayments, deposits and other receivables decreased by approximately RMB22.1 million or approximately 58.6% from approximately RMB37.8 million as at 31 December 2019 to approximately RMB15.6 million as at 31 December 2020, primarily due to the decrease in payment in advance to our suppliers of approximately RMB26.2 million as most of our suppliers no longer required an advance payment for purchase of raw materials since we have built a long-term business relationship with them, and partially offset by the increase in deferred **[REDACTED]** of approximately RMB**[REDACTED]**. Our prepayments, deposits and other receivables remained relatively stable at approximately RMB15.6 million and RMB15.3 million as at 31 December 2020 and 2021, respectively.

Trade payables

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	24,774	52,390	42,511

During the Track Record Period, trade payables mainly consisted of balance due to our suppliers for purchase of direct materials. Our trade payables mainly consisted of payables to our suppliers of raw materials and are recognised upon receipt of goods. Our Group was generally offered credit periods of 30 days by our suppliers.

Our trade payables increased by approximately RMB27.6 million, or 111.5%, from approximately RMB24.8 million as at 31 December 2019 to approximately RMB52.4 million as at 31 December 2020. Such increase was primarily due to our increased purchases of raw materials around the end of 2020 as we expected to launch new products around the Chinese New Year of FY2021. Our trade payables decreased from approximately RMB52.4 million as at 31 December 2020 to approximately RMB42.5 million as at 31 December 2021, which was mainly attributable to the enhancement of our inventory control and procurement control in FY2021.

The following table sets out our trade payables turnover days for the years indicated:

	FY2019	FY2020	FY2021
Average trade payable turnover day(s) *(Note)*	47.6	73.2	74.2

Note: Average trade payable turnover days are calculated by averaging the trade payable balance as at the beginning and as at the end of a particular period, dividing such average by cost of sales during the period and multiplying the number of days in the period.

The following table sets out our trade payables ageing analysis as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	9,600	41,398	33,918
31–60 days	11,162	1,692	7,513
61–90 days	3,009	1,863	1,080
91–180 days	350	7,437	—
181 days to 365 days	653	—	—
Over 365 days	—	—	—
	24,774	52,390	42,511

During the Track Record Period, the average trade payables turnover days were approximately 47.6 days, 73.2 days, and 74.2 days, respectively. Our average trade payables turnover days increased in FY2020 due to the increase in trade payables as discussed above. Our average trade payables turnover days remained relatively stable for FY2021.

As at the Latest Practicable Date, approximately RMB42.5 million and 100% of trade payables as at 31 December 2021 were subsequently settled.

Accruals and other payables

The following table sets forth a breakdown of our accruals and other payables as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Other payables	3,491	2,816	1,855
Accruals	13,717	10,979	12,525
Deferred revenue	251	251	—
	17,459	14,046	14,380

Accruals and other payables primarily consist of accrued salaries and staff costs, accrued **[REDACTED]**, and other tax payables.

Our accruals and other payables decreased by approximately RMB3.4 million or 19.5% from approximately RMB17.5 million as at 31 December 2019 to approximately RMB14.0 million as at 31 December 2020, primarily attributable to the decrease in accruals expenses as we have settled relatively large amount of the social security funds as at 31 December 2020.

Our accruals and other payables remained relatively stable at RMB14.0 million and RMB14.4 million as at 31 December 2020 and 2021, respectively.

Property, plant and equipment

Our property, plant and equipment comprise buildings, leasehold improvement, furniture, electronic and other equipment, plant and machinery, motor vehicles and construction in progress.

Our property, plant and equipment remained relatively stable at approximately RMB30.4 million and RMB31.4 million as at 31 December 2019 and 2020, and further increased by approximately RMB11.5 million or 36.7% to approximately RMB43.0 million as at 31 December 2021. Such increase was mainly due to (i) the purchase of plant and machineries of approximately RMB7.0 million; and (ii) the transfer from investment property to buildings of approximately RMB6.1 million, as a result of the termination of the lease with the related party and such building was used by our Group for our own operation.

For details of our purchases and disposals of property, plant and equipment during the Track Record Period, please refer to note 18 to the Accountants' Report in Appendix I to the document.

Right-of-use assets

Leases are initially recognised as right-of-use assets and corresponding liability at the date of which the leased asset is available for use by our Group (i.e. commencement date), which is depreciated on a straight-line basis over the asset's estimated useful life and lease term as set out below. As at 31 December 2019, 2020 and 2021, we recorded right-of-use assets of approximately RMB6.0 million, RMB5.9 million and RMB6.3 million, respectively. The table below sets forth our right-of-use assets amount as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Land use right, and warehouses	6,007	5,860	6,310

During the Track Record Period, our right-of-use assets remained relatively stable. The interest of land use right in the PRC is prepaid upon acquisition with the lease term of 50 years. Our Group had also leased low temperature warehouses in the PRC till December 2022. The rental agreements are made for a fixed period from 12 months to 24 months which do not impose any restriction or covenant.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at 31 December 2019, 2020 and 2021 and 30 April 2022, being the most recent practicable date for the purpose of determining our indebtedness:

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings				
— Secured	83,723	97,640	69,740	67,163
— Unsecured	20,000	20,000	20,000	—
— Provision of interest expenses	922	946	919	—
Amount due to Mr. Yang	—	9	9	9
Lease liabilities	2,185	2,020	84	56
Total	106,830	120,615	90,752	67,228

Borrowings

As at 31 December 2019, 2020 and 2021, our borrowings amounted to approximately RMB104.6 million, RMB118.6 million and RMB90.7 million, respectively. As at 31 December 2019, 2020 and 2021, secured borrowings were charged at fixed/floating effective interest rates ranging from approximately 5.22% to 11.00%, 3.25% to 9.72% and 4.35% to 8.5% per annum, respectively. As at 31 December 2019, 2020 and 2021, unsecured borrowings were charged at fixed effective interest rates of approximately 8.5%, 8.5% and 8.5% per annum, respectively. As at 30 April 2022, we had aggregate borrowings of approximately RMB67.2 million, of which all was utilised.

Our bank borrowings were primarily denominated in RMB. The secured portion of our borrowings were secured by (i) our Group's certain buildings included in property, plant and equipment; (ii) our land use right under right-of-use assets; (iii) our then investment property; (iv) our then trade receivables; and (v) corporate or personal guarantees given by Mr. Yang, Ms. Lin, Mr. Li Hui (and his spouse), Mr. Lin Deqian (a director of Guangchang Zhenglian, and his spouse), and Nanchang Tongli LP (collectively, the "**Personal or Corporate Guarantors**"). For details of collaterals and guarantees of our secured borrowings, please refer to note 34 to the Accountants' Report contained in Appendix I to this document.

The banks that granted the banking facilities to us have agreed in principal that the personal or corporate guarantees provided by the Personal or Corporate Guarantors will be released upon **[REDACTED]** and replaced by corporate guarantee given by the Company or its subsidiaries.

Amount due to Mr. Yang

As at 30 April 2022, amount due to Mr. Yang of approximately RMB9,000 was non-trade in nature, unsecured, non-interest bearing and repayable on demand, which is expected to be repaid before **[REDACTED]**.

Lease liabilities

Our lease liabilities represented land use right and low-temperature warehouses leased for the operation of our Group's business during the Track Record Period. The lease terms range from 12 to 120 months. The table below sets forth the breakdown of our lease liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Minimum future lease payments				
Within one year	422	398	86	57
More than 1 year but not exceeding 2 years	313	313	—	—
More than 2 years but not exceeding 5 years	938	938	—	—
More than 5 years	1,562	1,250	—	—
	3,235	2,899	86	57
Less: Future finance charge	(1,050)	(879)	(2)	(1)
	2,185	2,020	84	56

Contingent liabilities

During the Track Record Period and up to 30 April 2022, being the most recent practicable date for the purpose of determining our indebtedness, we did not have any material contingent liabilities. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on the information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Save as disclosed above, as at 30 April 2022, being the most recent practicable date for the purpose of the indebtedness statement, we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loans from government, debt securities or other similar indebtedness, finance lease on hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees on other material contingent liabilities outstanding. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) our credit facilities were subject to the standard banking conditions and covenants, and there were no material covenants that impose a substantial limitation on our ability to obtain further banking facilities; (ii) we had no material default in repayments of our borrowings and with regard to covenants and/or breaches of the covenants under our credit facilities; and (iii) we did not have any material external debt financing plans.

Material indebtedness change

Save as disclosed above, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the indebtedness of our Group since 30 April 2022, being the latest practicable date for the preparation of the indebtedness statement in this document. Our Directors confirm that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after the **[REDACTED]**.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet commitment and arrangements.

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios for the years or as of the dates indicated:

		As at/For the year ended 31 December		
	Notes	**2019**	**2020**	**2021**
Current ratio	*1*	1.7 times	1.8 times	2.1 times
Quick ratio	*2*	1.2 times	1.2 times	1.4 times
Gearing ratio	*3*	97.9%	73.9%	42.9%
Net debt-to-equity ratio	*4*	60.2%	N/A	N/A
Interest coverage ratio	*5*	7.4 times	7.1 times	10.4 times
Return on total assets	*6*	15.5%	11.5%	13.2%
Return on equity	*7*	37.5%	25.1%	22.8%
Net profit margin	*8*	13.8%	14.5%	14.1%

Notes:

1. Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year.

2. Quick ratio is calculated based on total current assets less inventories (if any) in current assets, divided by total current liabilities as of the end of the respective year.

3. Gearing ratio is calculated based on the total debt (including borrowings and lease liabilities) divided by the total equity as at the respective year end and multiplied by 100%.

4. Net debt-to-equity ratio is calculated by the net debt (including borrowings and lease liabilities less cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.

5. Interest coverage ratio is calculated by the profit before interest and income tax divided by the interest for the respective year.

6. Return on total assets is calculated by the profit for the year divided by the total assets as at the respective year end and multiplied by 100%.

7. Return on equity is calculated by the profit for the year divided by the total equity as at the respective year end and multiplied by 100%.

8. Net profit margin is calculated by the profit for the year divided by the revenue for the respective year and multiplied by 100%.

Current ratio

Our current ratio remained relatively stable at approximately 1.7 times and 1.8 times as at 31 December 2019 and 2020, respectively. Our current ratio further increased to approximately 2.1 times as at 31 December 2021, which was mainly attributable to (i) the increase in trade receivables of approximately RMB10.8 million; and (ii) the decrease in current borrowings of approximately RMB11.6 million.

Quick ratio

Our quick ratio remained relatively stable at approximately 1.2 times, 1.2 times and 1.4 times as at 31 December 2019, 2020 and 2021, respectively.

Gearing ratio

Our gearing ratio was approximately 97.9% and 73.9% as at 31 December 2019 and 2020, respectively. The decrease was mainly due to increase in our total equity by approximately RMB54.0 million as a result of our net profit for FY2020.

Our gearing ratio further decreased from approximately 73.9% as at 31 December 2020 to approximately 42.9% as at December 2021, which was primarily due to (i) the increase in our total equity by approximately RMB48.5 million as a result of our net profit for FY2021; and (ii) the decrease in our borrowings of approximately RMB28.0 million.

Net debt-to-equity ratio

As at 31 December 2019, our net debt-to-equity ratio was approximately 60.2%.

As at 31 December 2020 and 2021, our Group had net cash position, and therefore net debt-to-equity ratio was not applicable to our Group.

Interest coverage ratio

Our interest coverage ratio remained relatively stable at approximately 7.4 times and 7.1 times for FY2019 and FY2020, respectively. Our interest coverage ratio increased from approximately 7.1 times for FY2020 to approximately 10.4 times for FY2021, which was mainly attributable to the increase in our profit before interest and tax of approximately RMB8.9 million.

Return on total assets

Our return on total assets decreased from approximately 15.5% for FY2019 to approximately 11.5% for FY2020, which was mainly due to the increase in our cash and cash equivalents of approximately RMB101.2 million. Our return on total assets increased to approximately 13.2% for FY2021, which was mainly due to the increase in our profit for the year of approximately RMB7.4 million.

Return on equity

Our return on equity decreased from approximately 37.5% for FY2019 to approximately 25.1% for FY2020, which was mainly due to the increase in our cash and cash equivalents of approximately RMB101.2 million, and partially offset by (i) the decrease in trade receivables of approximately RMB21.9 million; (ii) the decrease in prepayments, deposits and other receivables of approximately RMB24.3 million; and (iii) the increase in trade payable of approximately RMB27.6 million.

Our return on equity further decreased to approximately 22.8% for FY2021, which was mainly due to (i) the increase in inventories of approximately RMB8.2 million; (ii) the increase in trade receivables of approximately RMB10.8 million; (iii) the decrease in trade payables of approximately RMB9.9 million; and (iv) the decrease in current borrowings of approximately RMB11.6 million.

Net profit margin

Our net profit margin remained relatively stable at approximately 13.8%, 14.5% and 14.1%, respectively during the Track Record Period.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, which include market risk (including currency risk and interest risk), credit risk and liquidity risk. We monitor and manage such financial risks through internal risks report which analyses exposure by degree and magnitude of risk.

Details of such risk are set out in note 41 to the Accountants' Report in Appendix I to this document.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in note 40 to the Accountants' Report in Appendix I to this document. Our Directors are of the view that the related party transactions were conducted at arm's length and on normal commercial terms and/or that such terms were no less favourable to us than terms available from Independent Third Parties which are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

DIVIDEND

During the Track Record Period, no dividends have been paid by our Company.

The declaration of future dividend will be subject to the recommendation of our Board and approval of our Shareholders in general meetings or, in the case of interim dividends, subject to the approval of our Board in accordance with the Articles. The amount of any dividends to be declared by our Company in any given year in the future will depend on, among others, our Group's results of operations, available cashflows and financial conditions, operating and capital and regulations and any other factors that our Directors deem relevant. The payment of dividend may also be limited by legal restrictions and agreements that our Group may enter into in the future. Our Company does not currently have a fixed dividend policy nor any predetermined dividend payout ratio. No dividend was declared or paid by our Group to owners of our Company during the Track Record Period.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our Directors confirmed that after the Track Record Period, and up to the date of this document, there has been no material adverse change in our financial or trading position and prospects. For the recent developments and material adverse change of our business subsequent to the Track Record Period and up to the date of this document, please refer to the section headed "Summary" in this document.

[REDACTED]

Our **[REDACTED]** mainly include **[REDACTED]**, **[REDACTED]** and professional fees paid and payable to legal advisers and the Reporting Accountants for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. The estimated total **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the **[REDACTED]** of the indicative **[REDACTED]**, and assuming that the **[REDACTED]** is not exercised) for the **[REDACTED]** are approximately RMB**[REDACTED]** (approximately HK$**[REDACTED]**), representing approximately **[REDACTED]**% of the gross proceeds from the **[REDACTED]**, comprising of (i) fees paid and payable to legal advisers and the Reporting Accountants of approximately RMB**[REDACTED]** (approximately HK$**[REDACTED]**); and (ii) others fees and expenses, including **[REDACTED]**, of approximately RMB**[REDACTED]** (approximately HK$**[REDACTED]**). The estimated total **[REDACTED]** consist of **[REDACTED]** of approximately RMB**[REDACTED]** (approximately HK$**[REDACTED]**), and **[REDACTED]** of approximately RMB**[REDACTED]** million (approximately HK$**[REDACTED]**). During the Track Record Period, we incurred **[REDACTED]** of approximately RMB**[REDACTED]**, which have been charged to our combined statements of profit and loss and other comprehensive income. We expect to incur additional **[REDACTED]** of approximately RMB**[REDACTED]** which are expected to be charged to our combined statements of profit and loss and other comprehensive income subsequent to the Track Record Period and approximately RMB**[REDACTED]** will be accounted for as a deduction from equity upon the completion of the **[REDACTED]**.

DISTRIBUTABLE RESERVES

As at 31 December 2021, our Group had statutory reserve and retained earnings of approximately RMB160.2 million available for distribution to our Shareholders.

UNAUDITED [REDACTED] OF ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited **[REDACTED]** Financial Information" in Appendix II to this document for our unaudited **[REDACTED]** adjusted net tangible assets.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

3BUSINESS OBJECTIVES

Our business objective is to continue to strengthen our position and expand our presence in the agricultural food products industry in the PRC. We intend to leverage on our established brand, high product quality, diversified product portfolio and innovative product development capabilities to capture growth opportunities.

FUTURE PLANS

Please refer to the paragraphs headed "Business — Business Strategies" in this document for further information.

[REDACTED]

We estimate the **[REDACTED]** from the **[REDACTED]** which we will receive, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the **[REDACTED]** of the **[REDACTED]** stated in this document), will be approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), after deduction of **[REDACTED]** and other expenses payable by us in relation to the **[REDACTED]** and assuming the **[REDACTED]** is not exercised.

We intend to use the **[REDACTED]** of the **[REDACTED]** for the following purposes:

- approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used to build a new factory building and acquire new production lines in our Guangchang Plant by around June 2024 (subject to the progress of construction work) to increase our designed annual production capacity by approximately 1,200 tonnes of instant vegetable snack products and 2,000 tonnes of instant meat snack products, of which:

  — **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used to construct the new factory building to house our new production lines. We expect that the construction will be completed by around January 2024;

  — approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for purchasing and installing a new production line for production of instant vegetable snack products. We expect we would complete installation of machines and equipment in or around March 2024, finish testing of the new production line in or around May 2024, and commence commercial production upon completion of relevant completion inspection or other regulatory filings in or around June 2024;

— approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for purchasing and installing a new production line for production of instant meat snack products. We expect we would complete installation of machines and equipment in or around March 2024, finish testing of the new production line in or around May 2024, and commence commercial production upon completion of relevant completion inspection or other regulatory filings in or around June 2024; and

— approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for purchasing and installing a small scale production line specialising in product development and prototype and sample production. We expect we would commence installation of the machines in or around October 2023 and complete testing and relevant completion inspection or other regulatory filing in or around June 2024.

For details of our expansion plans, please refer to the paragraph headed "Business — Business Strategies — Expansion of our production capacity and enriching our product offerings" in this document.

- approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used to enhance our marketing efforts and expand our sales channels, of which:

— approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used to expand our sales network by recruiting additional five sales representatives in the next two years to promote our products and brand with an aim to expand our product presence in Southwestern China, particularly Sichuan Province and Chongqing. The sales representatives will visit operators of local supermarket chains and grocery stores, and develop relationships with local corporate companies to look for potential business opportunities. In addition, we plan to strategically replicate our successful concessionary counter model into Southwestern China, particularly Sichuan Province, by expanding our concessionary counter network in supermarkets to expand our concessionary counters by opening concessionary counters in 14 supermarket stores in the next two years;

- approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used in our promotional activities with 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; and

- approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used to expand our marketing and advertising efforts to enhance the awareness of our brands and products, of which:

  - approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for 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;

  - approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for launching 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; and

  - approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for organising promotional activities in high schools or tertiary education institutions, 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 make direct sales to end consumers and promote our brands.

Please refer to the paragraph headed "Business — Business Strategies — Increase our sales through enhancement of marketing efforts and expansion of sales channels" in this document for further details.

- approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), for working capital and other general corporate purposes.

If the **[REDACTED]** is fixed at the high-end of the indicative **[REDACTED]**, being HK$**[REDACTED]** per **[REDACTED]**, the **[REDACTED]** we receive from the **[REDACTED]** will increase to approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**). We intend to **[REDACTED]** the additional **[REDACTED]** for the above purposes on a pro-rata basis. If the **[REDACTED]** is set at the low-end of the indicative **[REDACTED]**, being HK$**[REDACTED]** per **[REDACTED]**, the **[REDACTED]** we receive from the **[REDACTED]** will decrease to approximately HK$**[REDACTED]** (equivalent to RMB**[REDACTED]**). We intend to reduce the **[REDACTED]** for the above purposes on a pro-rata basis.

If the **[REDACTED]** is exercised in full, we estimate that the **[REDACTED]** from the **[REDACTED]** including these additional Shares to be received by us, after deduction of **[REDACTED]** and other expenses payable by us, will be (i) approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), assuming the **[REDACTED]** is fixed at the high-end of the **[REDACTED]**, being HK$**[REDACTED]** per **[REDACTED]**; (ii) approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), assuming the **[REDACTED]** is fixed at the **[REDACTED]** of the **[REDACTED]**, being HK$**[REDACTED]** per **[REDACTED]**; and (iii) approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), assuming the **[REDACTED]** is fixed at the low-end of the **[REDACTED]**, being HK$**[REDACTED]** per **[REDACTED]**. Any additional proceeds received by us from the exercise of the **[REDACTED]** will also be **[REDACTED]** to the above businesses and projects on a pro-rata basis.

To the extent that the **[REDACTED]** are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit them in interest-bearing accounts with licensed commercial banks or financial institutions. In such event, we will also comply with the appropriate disclosure requirements under the Listing Rules.

In the event of any material change in our use of **[REDACTED]** from the purposes described above or in our allocation of the **[REDACTED]** among the purposes described above, we will make appropriate announcement as soon as practicable.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

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TO THE DIRECTORS OF ZHENGWEI GROUP HOLDINGS COMPANY LIMITED AND GRAND MOORE CAPITAL LIMITED

Introduction

We report on historical financial information of Zhengwei Group Holdings Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages I-4 to I-98, which comprises the combined statements of financial position as at 31 December 2019, 2020 and 2021 and the statements of the financial position of the Company as at 31 December 2020 and 2021, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-98 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "**Document**") in connection with the initial **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information, respectively and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circulars Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2020 and 2021, the Group's financial position as at 31 December 2019, 2020 and 2021, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

BDO Limited
Certified Public Accountants
Chow Tak Sing, Peter
Practising Certificate Number P04659

Hong Kong, [Date]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

1. COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Revenue	6	297,398	282,889	341,998
Cost of sales		(201,147)	(192,301)	(233,518)
Gross profit		96,251	90,588	108,480
Other revenue	7	4,500	5,153	4,181
Other gains and losses	8	1,013	3,655	3,797
Distribution and selling expenses		(21,877)	(20,314)	(28,224)
Administrative expenses		(20,415)	(20,504)	(23,130)
Provision of impairment loss recognised on trade and other receivables and deposits, net		58	580	893
Finance costs	9	(7,530)	(7,760)	(6,150)
[REDACTED]		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Profit before income tax expense	10	48,262	47,313	57,844
Income tax expense	14	(7,317)	(6,374)	(9,552)
Profit for the year		40,945	40,939	48,292
Profit for the year attributable to:				
Owners of the Company		40,945	40,939	48,292
Profit for the year		40,945	40,939	48,292
Other comprehensive income, net of tax	15			
Items that will not be reclassified subsequently to profit or loss:				
— Changes in fair value of financial asset at fair value through other comprehensive income ("**FVOCI**")		222	(446)	212
— Revaluation of property, plant and equipment and right-of-use assets on transfer to investment property		826	—	—
Other comprehensive income for the year		1,048	(446)	212
Total comprehensive income for the year		41,993	40,493	48,504
Total comprehensive income for the year attributable to:				
Owners of the Company		41,993	40,493	48,504

2. COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*18*	30,424	31,415	42,953
Right-of-use assets	*19*	6,007	5,860	6,310
Investment property	*20*	5,430	5,590	—
Goodwill	*21*	269	269	269
Intangible assets	*22*	1,458	1,073	688
Financial asset at fair value through other comprehensive income	*23*	1,355	909	1,121
Deferred tax assets	*24*	1,885	946	617
Deposits and other receivables	*27*	1,392	557	—
Total non-current assets		48,220	46,619	51,958
Current assets				
Inventories	*25*	62,445	98,248	106,459
Trade receivables	*26*	74,344	52,395	63,163
Prepayments, deposits and other receivables	*27*	37,754	15,631	15,300
Right of return assets	*28*	976	767	818
Amount due from a related party	*29*	58	58	—
Amounts due from shareholders	*35*	—	343	343
Cash and cash equivalents	*30*	41,136	142,338	127,321
Total current assets		216,713	309,780	313,404
Total assets		264,933	356,399	365,362
Current liabilities				
Trade payables	*31*	24,774	52,390	42,511
Other payables and accruals	*32*	17,459	14,046	14,380
Contract liabilities	*33*	450	290	593
Borrowings	*34*	80,972	98,586	87,033
Amount due to a shareholder	*35*	—	9	9
Lease liabilities	*19*	249	238	84
Income tax payable		4,306	4,171	5,490
Total current liabilities		128,210	169,730	150,100
Net current assets		88,503	140,050	163,304
Total assets less current liabilities		136,723	186,669	215,262

		As at 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Borrowings	*34*	23,673	20,000	3,626
Lease liabilities	*19*	1,936	1,782	—
Other payables	*32*	2,005	1,755	—
Total non-current liabilities		27,614	23,537	3,626
NET ASSETS		109,109	163,132	211,636
Capital and reserves attributable to the owners of the Company				
Share capital	*36*	—	372	372
Reserves	*37*	109,109	162,760	211,264
TOTAL EQUITY		109,109	163,132	211,636

3. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2020	As at 31 December 2021
		RMB'000	*RMB'000*
Non-current asset			
Investment in a subsidiary	*38*	363	363
Total non-current asset		363	363
Current assets			
Amounts due from shareholders		344	344
Total current assets		344	344
Total assets		707	707
Current liability			
Amount due to subsidiaries		327	449
Total current liability		327	449
Net current assets/(liabilities)		17	(105)
Total assets less current liability		380	258
NET ASSETS		380	258
Capital and reserves attributable to the owners of the Company			
Share capital	*36*	372	372
Accumulated losses	*37*	8	(114)
Total equity		380	258

4. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Capital reserve	Statutory reserve	Merger reserve	Investment property revaluation reserve	FVTOCI reserve	Retained earnings	Attributable to owners of the Company	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 36)	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*		
As at 1 January 2019	—	—	2,941	17,412	—	(367)	27,097	47,083	47,083
Profit for the year	—	—	—	—	—	—	40,945	40,945	40,945
Other comprehensive income:									
• Fair value change in financial asset at fair value through other comprehensive income	—	—	—	—	—	222	—	222	222
• Fair value change in property, plant and equipment and right-of-use assets on transfer to investment property at fair value through other comprehensive income	—	—	—	—	826	—	—	826	826
Total comprehensive income	—	—	—	—	826	222	40,945	41,993	41,993
Capital contributions from beneficial shareholders to a subsidiary	—	—	—	20,033	—	—	—	20,033	20,033
Transfer from retained earnings to statutory reserve	—	—	3,321	—	—	—	(3,321)	—	—
As at 31 December 2019 and 1 January 2020	—	—	6,262	37,445	826	(145)	64,721	109,109	109,109
Profit for the year	—	—	—	—	—	—	40,939	40,939	40,939
Other comprehensive income									
• Fair value change in financial asset at fair value through other comprehensive income	—	—	—	—	—	(446)	—	(446)	(446)
Total comprehensive income	—	—	—	—	—	(446)	40,939	40,493	40,493
Initial ordinary shares issued in incorporation	372	—	—	—	—	—	—	372	372
Capital contribution from beneficial shareholders to a subsidiary	—	—	—	13,158	—	—	—	13,158	13,158
Transfer from retained earnings to statutory reserve	—	—	3,109	—	—	—	(3,109)	—	—
As at 31 December 2020	372	—	9,371	50,603	826	(591)	102,551	163,132	163,132

	Attributable to owners of the Company								
	Share capital	**Capital reserve**	**Statutory reserve**	**Merger reserve**	**Investment property revaluation reserve**	**FVTOCI reserve**	**Retained earnings**	**Attributable to owners of the Company**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 36)	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*		
As at 1 January 2021	372	—	9,371	50,603	826	(591)	102,551	163,132	163,132
Profit for the year	—	—	—	—	—	—	48,292	48,292	48,292
Other comprehensive income:									
• Fair value change in financial asset at fair value through other comprehensive income	—	—	—	—	—	212	—	212	212
Total comprehensive income	—	—	—	—	—	212	48,292	48,504	48,504
Transfer from retained earnings to statutory reserve	—	—	2,458	—	—	—	(2,458)	—	—
As at 31 December 2021	372	—	11,829	50,603	826	(379)	148,385	211,636	211,636

5. COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax expense	48,262	47,313	57,844
Adjustments for:			
Depreciation of property, plant and equipment	2,411	2,374	3,793
Depreciation of right-of-use assets	268	231	214
Loss from net investment in subleases	1,920	—	—
Gain from early termination of subleases	—	—	(1,782)
Finance costs	7,530	7,760	6,150
Provision/(reversal) of impairment loss recognised on trade receivables, net	146	(554)	(901)
(Reversal)/provision of impairment loss recognised on deposits and other receivables, net	(204)	(26)	8
Amortisation of intangible assets	385	385	385
Fair value gain on investment property	(70)	(160)	(1,100)
Interest income	(125)	(273)	(307)
(Reversal of write-down)/write-down of inventories	(1,094)	(627)	171
Exchange loss, net	—	29	—
Loss on disposal of property, plant and equipment	74	13	264
Reversal for the provision of social insurance	(2,937)	(3,537)	(1,179)
Operating profits before working capital changes	56,566	52,928	63,560
Decrease/(increase) in inventories	8,815	(35,176)	(8,382)
(Increase)/decrease in trade receivables	(46,095)	22,503	(9,867)
(Increase)/decrease in prepayments, deposits and other receivables	(1,190)	24,334	(469)
Increase in amount due from a related party	(58)	—	—
(Decrease)/increase in trade payables	(1,847)	27,617	(9,880)
Increase/(decrease) in other payables and accruals	1,383	(126)	(237)
Decrease in right of return assets	1,197	209	(51)
Increase/(decrease) in contract liabilities	191	(160)	303
Cash generated from operations	18,962	92,129	34,977
Income tax paid	(8,374)	(5,570)	(7,905)
Net cash generated from operating activities	10,588	86,559	27,072

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from investing activities			
Purchases of property, plant and equipment.	(1,454)	(3,378)	(9,488)
Net cash inflow from disposal of subsidiary *(note 39)*	—	—	1,933
Proceed from disposal of property, plant and equipment	—	—	3
Purchases of intangible assets	(1,300)	—	—
Receipt of advances from a related party	—	—	58
Interest received	125	273	307
Net cash used in investing activities	(2,629)	(3,105)	(7,187)
Cash flows from financing activities			
Repayment of principal portion of the lease liabilities	(119)	(249)	(238)
Proceeds from new borrowings	117,610	100,340	83,700
Repayment of borrowings	(93,467)	(86,422)	(111,600)
Interest paid	(6,340)	(7,669)	(6,155)
Repayment to related parties	(873)	—	—
Advance from beneficial shareholders	—	9	—
Repayment to beneficial shareholders	(2,981)	—	—
Payment of deferred **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Guarantee fee paid	(110)	(68)	(22)
Capital contributions from beneficial shareholders to a subsidiary	20,033	13,158	—
Net cash generated/(used in) from financing activities	32,507	17,748	(34,902)
Net increase/(decrease) in cash and cash equivalents	40,466	101,202	(15,017)
Cash and cash equivalents at the beginning of year	670	41,136	142,338
Cash and cash equivalents at the end of year	41,136	142,338	127,321
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	41,136	142,338	127,321

Reconciliation of liabilities arising from financing activities

	Borrowings	Amounts due to related parties	Amount due to a beneficial shareholder	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	79,580	873	2,981	—
Changes from cash flow:				
Proceeds from new borrowings	117,610	—	—	—
Repayment of borrowings	(93,467)	—	—	—
Repayment of principal portion of lease liabilities	—	—	—	(119)
Repayment to a beneficial shareholder	—	—	(2,981)	—
Repayment to related parties	—	(873)	—	—
Interest paid	(6,333)	—	—	(7)
Total financing cash flow	17,810	(873)	(2,981)	(126)
Other changes:				
Interest expenses	7,255	—	—	165
Commencement of lease	—	—	—	2,146
Total other changes	7,255	—	—	2,311
As at 31 December 2019	104,645	—	—	2,185
As at 31 December 2019	104,645	—	—	2,185
Changes from cash flow:				
Proceeds from new borrowings	100,340	—	—	—
Advance from beneficial shareholders	—	—	9	—
Repayment of borrowings	(86,422)	—	—	—
Repayment of principal portion of lease liabilities	—	—	—	(249)
Interest paid	(7,496)	—	—	(173)
Total financing cash flow	6,422	—	9	(422)
Other changes:				
Interest expenses	7,519	—	—	173
Effect on lease modification	—	—	—	84
Total other changes	7,519	—	—	257

	Borrowings	Amounts due to related parties	Amount due to a beneficial shareholder	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020	118,586	—	9	2,020
Changes from cash flow:				
Proceeds from new borrowings	83,700	—	—	—
Repayment of borrowings	(111,600)	—	—	—
Repayment of principal portion of lease liabilities	—	—	—	(238)
Interest paid	(5,993)	—	—	(162)
Total financing cash flow	(33,893)	—	—	(400)
Other changes:				
Gain from termination of leases	—	—	—	(1,782)
Effect on lease modification	—	—	—	84
Interest expenses	5,966	—	—	162
Total other changes	5,966	—	—	(1,536)
As at 31 December 2021	90,659	—	9	84

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

(a) General information

The Company was incorporated in the Cayman Islands on 31 March 2020, as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. Its principal place of business is 487 Yuhu Road, Jingji Development Area, Xiaolan, Nanchang County, Nanchang City, Jiangxi Province, the People's Republic of China (the "**PRC**"). The Company is an investment holding company and the Group is principally engaged in sourcing, processing and trading of dried delicacies, instant snacks food, dried aquatic products, grains, seasonings and others (the "**[REDACTED] Business**").

In the opinion of the directors of the Company, the **[REDACTED]** Business was controlled by Mr. Yang Shengyao ("**Mr. Yang**") and Ms. Lin Qiuyun ("**Ms. Lin**"), the spouse of Mr. Yang, throughout the Track Record Period.

(b) Reorganisation

Prior to the incorporation of the Company and completion of the Reorganisation as described below, the development, production and sales of dried delicacies, instant snacks food, dried aquatic products, grains, seasonings and others were carried out by Jiangxi Zhengwei Food Co., Limited ("**Jiangxi Zhengwei**"), Nanchang Kaixing Industrial Co., Limited ("**Nanchang Kaixing**"), Guangchang County Zhenglian Biotechnology Co., Limited ("**Guangchang Zhenglian**") and Pingnan Anwang Trade Co., Limited ("**Pingnan Anwang**") (collectively the "**ZW Group**").

In preparation for the **[REDACTED]** of shares of the Company on the Main Board of the Stock Exchange and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 8 June 2022. The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section head "History, Reorganisation and Corporate Structure" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

After the completion of the Reorganisation of the Group, the Group is regarded as a continuing entity since all the entities which took part in the Reorganisation were deemed to be controlled by the same ultimate controlling parties before and immediately after the Reorganisation. Consequently, immediately after the Group's Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling party that existed prior to the Reorganisation. The Reorganisation has been accounted for as a restructuring under common control in a manner similar to pooling of interests. Accordingly, the Financial Information has been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the Track Record Period.

Under the merger accounting, the net assets of the combined entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or any gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's or parties' interests.

The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. All significant intra-group balances and transactions within the Group are eliminated on combination.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record have been prepared to present the results, changes in equity and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment or acquisition, whichever is shorter. The combined statements of financial position of the Group as of 31 December 2019, 2020 and 2021 have been prepared to present the assets and liabilities of the Company and its subsidiaries as if the current group structure had been in existence at those dates.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the subsidiaries as set out below, all of which are private entities.

Name of subsidiary	Place and date of incorporation/establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	*Note*
		Directly	*Indirectly*			
Zhengwei International Limited "Zhengwei International"	BVI, 21 April 2020, limited liability company	100%	—	Registered and fully paid capital US$50,000	Investment holding, BVI	(a)
Zhengwei Group Limited "Zhengwei Group" (正味集團有限公司)	Hong Kong ("**HK**"), 12 May 2020, limited liability company	—	100%	Registered and fully paid capital HK$10,000	Investment holding, HK	(b)
Jiangxi Zhengwei Food Co., Limited* "Jiangxi Zhengwei" (江西正味食品有限公司)	PRC, 4 January 2002, limited liability company	—	100%	Registered capital RMB14,330,000	Investment holding, sourcing, processing and trading of dried delicacies, grains, seasonings and instant snacks food and performing research and development, PRC	(a)
Nanchang Kaixing Industrial Co., Limited.* "Nanchang Kaixing" (南昌市凱興實業有限公司)	PRC 28 November 2005, limited liability company	—	100%	Registered and fully paid capital RMB5,000,000	Trading of dried delicacies, grains, seasonings and instant snacks food, PRC	(a)
Guangchang County Zhenglian Biotechnology Co., Limited* "Guangchang Zhenglian" (廣昌縣正蓮生物科技有限公司)	PRC, 18 September 2017, limited liability company	—	100%	Registered capital RMB30,000,000	Sourcing and processing of lotus seeds and performing research and development, PRC	(a)
Pingnan Anwang Trade Co., Limited* "Pingnan Anwang" (屏南縣安旺貿易有限公司)	PRC, 9 April 2020, limited liability company	—	100%**	Registered and fully paid capital RMB2,000,000	Trading of dried delicacies, grains, seasonings and instant snacks food, PRC	(a)

* *English names of the subsidiaries are translated directly from their corresponding official Chinese names.*
** *This subsidiary has been disposed of during the Track Record Period (Note 39).*

Notes:

(a) There are no statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation for these subsidiaries. No audited financial statements have been prepared for these entities during the Track Record Period.

(b) The financial statements of this subsidiary for the period from 12 May 2020 (date of incorporation) to 31 December 2020 and for the year ended 31 December 2021 were audited by BDO Limited.

(c) Basis of presentation

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 8 June 2022. The companies now comprising the Group were under the common control of Mr. Yang and Ms. Lin immediately before and after the completion of the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger method of accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

Accordingly, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the years ended 31 December 2019, 2020 and 2021 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position of the Group as at 31 December 2019, 2020 and 2021 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

For the purpose of preparing and presenting the Historical Financial Information, the Group has early adopted all applicable new/revised Hong Kong Financial Reporting Standards ("**HKFRSs**") and amendments effective for accounting periods commencing on or after 1 January 2021 consistently throughout the Track Record Period.

At the date of this report, HKICPA has issued certain new or revised HKFRSs but are not yet effective and have not been adopted early by the Group. Details of which are set out in Note 3.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Historical Financial Information set out in this report has been prepared in accordance with the accounting policies set out below, which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "**Listing Rules**").

(b) Basis of measurement

The Historical Financial Information has been prepared under the historical cost basis, except for investment property and financial asset at fair value through other comprehensive income, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company. All values in the Historical Financial Information are rounded to the nearest thousand except when otherwise indicated.

3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new/revised HKFRSs, potentially relevant to the Group's Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimate[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]

Amendment to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 1, First-time Adoption of HKFRSs[1]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 9, Financial Instruments[1]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Leases[1]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after 1 January 2023.

4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Further details about those HKFRSs that are not yet effective and are expected to be applicable to the Group are as follows:

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the combined financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2- Disclosure of Accounting Policies

The key amendments to HKAS 1 include:

i) Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

ii) Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

iii) Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two addition examples on the application of materiality to accounting policy disclosures.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's combined financial statements.

Amendments to HKAS 8 — Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainly.

The amendments also, clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's combined financial statements.

Amendments to HKAS 12 — Deferred Tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the combined financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced white bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact of application of the amendments and anticipate it will not have material impact on the combined financial statements as it is seldom for the Group to sell its property, plant and equipment before they are capable of intended use.

Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the combined financial statements. The directors of the Company anticipate that the application of the amendments will likely impact on the Group's accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised.

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Interpretation 21 Levies, the acquirer applies HK(IFRIC)-Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the combined financial statements.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the combined financial statements in future periods should such transaction arise.

Annual Improvements to HKFRSs 2018–2020 cycle

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the combined financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Merger accounting for the Reorganisation

The combined financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on combination.

(b) Basis of combination

Except for the merger accounting for the Reorganisation described above, the acquisition method of accounting is used for all other acquisitions of subsidiaries or businesses.

Under the acquisition method, the consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. For each business combination, the acquirer measures the non-controlling interest that represents a present ownership interest in the subsidiary in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statements of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4(p)), and whenever there is an indication that the unit may be impaired.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Track Record Period. The principal annual rates are as follows:

Owned assets

Buildings	Shorter of 2%–3% or period of the lease term
Leasehold improvement	Shorter of 3%–20% or period of the lease term
Plant and machineries	10%–20%
Furniture, electronic and other equipment	20%
Motor vehicles	20%

Construction in progress ("**CIP**") is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

(f) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

(g) Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the combined statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

(h) Leases

The Group as lessee

All leases are required to be capitalised in the combined statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed lease payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on a either a straight-line basis or another systematic basis over the remaining lease term. The Group applies the derecognition requirements of HKFRS 9 to recognise to recognise modification or derecognition gain or loss on the net investment in the finance lease.

(i) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately and in a business combination

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in administrative expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Software	5 years
Patent	5 years

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(iv) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(p)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(j) Financial instruments

(i) Financial asset

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("**FVTPL**"): Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("**ECL**") on trade receivables and other financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases:

- 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in equity.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 1 year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the combined statement of profit or loss. The net fair value gain or loss recognised in the combined statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings and leases liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instrument

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in Note 4(j)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of instant snacks, dried delicacies, dried aquatic products, grains, seasonings and instant snacks food

Customers obtain control of the food products when they have been delivered to the agreed location and accepted by customers. Revenue is thus recognised upon when the customers accepted the products. Thus, there is generally only one performance obligation. Invoices are usually payable within 90 days.

Some contracts for the sales of food products provide customers with rights of return and discounts. The rights of return give rise to variable consideration and the revenue is recorded on the price specified in the sales contracts/invoices, net of the estimated discounts.

For contracts which provide a customer with a right of return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirement of HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

(m) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the Track Record Period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes, and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

An exception to the general requirement in determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

(n) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of Track Record Period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On combination, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of Track Record Period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Group participants in a central pension scheme operated by the local municipal government (the "**Scheme**"), whereby the subsidiaries of the Company in PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(p) Impairment of assets (other than financial assets)

At the end of each of the Track Record Period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- goodwill; and
- intangible assets.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see Note 4(d), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(q) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

(t) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of key management personnel of the Company or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(u) Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expenses when incurred.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

(i) Determination the method to estimate variable consideration and assessing the constraint for sale of food product

Certain contracts for the sale of food product include a right of return that gives rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of food products with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of revenue in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on historical experience, business forecast and the current economic environment, as well as the uncertainty being resolved within a short period of time.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in this Historical Financial Information, other key sources of estimation uncertainty that have significant risks or resulting material adjustments to the carrying amounts of assets and liabilities with next financial year for the Track Record Period are as follows:

(i) Impairment of goodwill, right-of-use assets, property, plant and equipment and intangible assets

Goodwill, right-of-use assets, property, plant and equipment are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment, goodwill is required to be tested annually for impairment. For the purpose of impairment testing, goodwill has been allocated to the cash generating unit ("**CGU**") operating in the trading of food product.

Determining whether goodwill and other assets allocated to trading of food product CGU is impaired requires an estimation of the value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Further information on the impairment assessment on trading of food product CGU are provided in Note 21.

(ii) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period as they occur.

The Group measures a number of items at fair value:

- Investment property (sib); and
- Financial asset at fair value through other comprehensive income (Note 23).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

(iii) Estimated useful lives and residual value of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation or amortisation charge where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic view could result in a change in depreciable or amortisable lives and residual values and therefore depreciation or amortisation expense in the future periods.

(iv) Net realisable value of inventories

The Group's management reviews the inventory aging analysis periodically, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales.

The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items through management's estimation of the net realisable value for such obsolete and slow-moving items based primarily on the latest invoice prices and current market conditions. Additional write down of inventories might be necessary when the actual movement in inventories and selling prices is lower than anticipated.

(v) Impairment of trade receivables, deposits and other receivables

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk since initial recognition. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(vi) Income tax and deferred tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

6. REVENUE AND SEGMENT REPORTING

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in Note 1(b).

Revenue represents the net invoiced value of goods sold and earned by the Group.

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Dried delicacies	86,800	70,454	87,410
Instant snacks	128,419	137,426	171,059
Dried aquatic products	46,716	52,965	59,002
Grains	28,791	17,899	21,358
Seasonings and others	6,672	4,145	3,169
	297,398	282,889	341,998
Timing of revenue recognition			
At a point in time	297,398	282,889	341,998
Transferred over time	—	—	—
	297,398	282,889	341,998

(a) Reportable segment revenue and profit

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group reportable segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customer within the scope of HKFRS 15:			
Manufacturing	223,435	228,949	250,352
Trading	73,963	53,940	91,646
	297,398	282,889	341,998

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

	Year ended 31 December 2019		
	Manufacturing	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue from external customers	223,760	73,638	297,398
Inter-segment revenue	75,121	—	75,121
Reportable segment revenue	298,881	73,638	372,519
Reportable segment profit	24,238	27,762	52,000
Interest revenue	73	52	125
Interest expense	(7,254)	(166)	(7,420)
(Impairment loss)/reversal of impairment loss:			
— Trade receivables	239	(385)	(146)
— Deposits and other receivables	119	85	204
	358	(300)	58
Write-down of inventories	831	263	1,094
Income tax expense	(758)	(6,559)	(7,317)

	Year ended 31 December 2020		
	Manufacturing	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue from external customers	228,747	54,142	282,889
Inter-segment revenue	19,735	—	19,735
Reportable segment revenue	248,482	54,142	302,624
Reportable segment profit	38,877	12,558	51,435
Interest revenue	250	23	273
Interest expense	(7,472)	(220)	(7,692)
(Impairment loss)/reversal of impairment loss:			
— Trade receivables	(189)	743	554
— Deposits and other receivables	30	(4)	26
	(159)	739	580
Write-down of inventories	612	15	627
Income tax expense	(3,703)	(2,671)	(6,374)

	Year ended 31 December 2021		
	Manufacturing	**Trading**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue from external customers	250,787	91,211	341,998
Inter-segment revenue	20,846	—	20,846
Reportable segment revenue	271,633	91,211	362,844
Reportable segment profit	28,763	31,175	59,938
Interest revenue	288	19	307
Interest expense	(5,786)	(342)	(6,128)
Impairment loss/reversal of impairment loss:			
— Trade receivables	820	81	901
— Deposits and other receivables	(4)	(4)	(8)
	816	77	893
Write-down of inventories	(171)	—	(171)
Income tax expense	(2,182)	(7,370)	(9,552)

(b) Reconciliations of reportable segment revenue, profit or loss and other material items

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Reportable segment revenue	372,519	302,624	362,844
Elimination of inter-segment revenue	(75,121)	(19,735)	(20,846)
	297,398	282,889	341,998
Profit before income tax expense			
Reportable segment profit	52,000	51,435	59,938
Elimination of inter-segment profits	—	—	—
Other revenue	—	—	—
Other gains and losses	—	(37)	—
Unallocated corporate expenses	(3,738)	(4,085)	(2,094)
Finance costs	—	—	—
	48,262	47,313	57,844
Other material items			
Reportable depreciation and amortisation	3,064	2,990	4,392
Unallocated	—	—	—
Consolidated depreciation and amortisation	3,064	2,990	4,392

(c) Geographical information

The management determines the Group is domiciled in the PRC, which is the location of the Group's principal office. The Group's revenue information above is based on the delivery destinations of the Group's products requested by the customers. The Group's revenue from external customers is all derived from the customers located in the PRC and no geographical information is presented.

The geographical location of non-current assets is based on the physical location of the assets. As at 31 December 2019, 2020 and 2021, all of the Group's non-current assets are located in the PRC.

(d) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Customer A	110,370	115,659	138,915
Customer B	55,108	53,148	54,348
Customer C	38,446	42,588	56,367
	203,924	211,395	249,630

7. OTHER REVENUE

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Interest income from bank deposits	125	273	307
Government grants *(Note)*	4,122	4,620	3,690
Imputed interest on government grant receivable	78	40	—
Rental income	110	220	184
Others	65	—	—
	4,500	5,153	4,181

Note: Government grants mainly represent grants received from the PRC local government authority as subsidies to the Group:

(a) incentive of agricultural development for the year ended 31 December 2019, 2020 and 2021 which the Group was required to lease over 40 acres land in agricultural use for ten years;

(b) government grant related to successful listing on National Equities Exchange and Quotations in the PRC for the year ended 31 December 2019 and 2020 which does not have other unfulfilled obligations;

(c) government grant for revenue growth for the year ended 31 December 2020 which does not have other unfulfilled obligations.

8. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Loss from net investment in subleases	(1,920)	—	—
Gain from early termination of subleases	—	—	1,782
Gain on changes in fair value of investment property *(Note 20)*	70	160	1,100
Exchange loss, net	—	(29)	—
Reversal for the provision of staff social insurance	2,937	3,537	1,179
Losses on disposals of property, plant and equipment	(74)	(13)	(264)
	1,013	3,655	3,797

9. FINANCE COSTS

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on bank and other borrowings	7,255	7,519	5,966
Guarantee fee	110	68	22
Interest expenses on lease liabilities	165	173	162
	7,530	7,760	6,150

10. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging/(crediting):

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
(Reversal of write-down)/write-down of inventories *(Note i)*	(1,094)	(627)	171
Depreciation charge:			
— Owned property, plant and equipment *(Note 18)*	2,411	2,374	3,793
— Right-of-use-assets *(Note 19)*	268	231	214
	2,679	2,605	4,007
Amortisation on intangible assets included in *(Note 22)*:			
— Administrative expenses	25	25	25
— Research and development costs	360	360	360
	385	385	385
Auditors' remuneration	—	—	—
Cost of inventories recognised as expenses	201,147	192,301	233,518
[REDACTED] — Hong Kong Exchanges and Clearing Limited ("**HKEX**")	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Research and development costs	9,491	10,225	10,386
Employee costs *(Note 11)*	21,706	29,331	38,955

Note:

(i) These reversals arose due to increases in the estimated net realisable value of certain inventories as a result of a change in consumer preferences.

11. EMPLOYEE COSTS

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Employee costs (including directors' emoluments *(Note 13)* comprise:			
Wages and salaries	17,347	26,084	30,722
Contributions to retirement benefits scheme	4,036	2,297	6,741
Other employee benefits	323	950	1,492
	21,706	29,331	38,955

12. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' remuneration

Directors' emoluments disclosed pursuant to the Listing Rules and section 78(1) of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622 for the Track Record Period are as follows:

		Year ended 31 December 2019			
		Fees	**Salaries, allowances and benefits in kind**	**Contributions to retirement benefits scheme**	**Total emoluments**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yang Shengyao	*(i)*	—	240	11	251
Lin Qiuyun	*(ii)*	—	144	11	155
Li Hui	*(iii)*	—	181	11	192
		—	565	33	598
Independent non-executive directors					
Li Taihong	*(iv)*	—	—	—	—
Lau Jing Yeung William	*(iv)*	—	—	—	—
Lee Kwok Tung Louis	*(iv)*	—	—	—	—
		—	—	—	—
		—	565	33	598

		Year ended 31 December 2020			
		Fees	Salaries, allowances and benefits in kind	Contributions to retirement benefits scheme	Total emoluments
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yang Shengyao	*(i)*	—	234	5	239
Lin Qiuyun	*(ii)*	—	143	5	148
Li Hui	*(iii)*	—	178	5	183
		—	555	15	570
Independent non-executive directors					
Li Taihong	*(iv)*	—	—	—	—
Lau Jing Yeung, William	*(iv)*	—	—	—	—
Lee Kwok Tung, Louis	*(iv)*	—	—	—	—
		—	—	—	—
		—	555	15	570

		Year ended 31 December 2021			
		Fees	Salaries, allowances and benefits in kind	Contributions to retirement benefits scheme	Total emoluments
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yang Shengyao	*(i)*	—	241	11	252
Lin Qiuyun	*(ii)*	—	145	11	156
Li Hui	*(iii)*	—	182	11	193
		—	568	33	601
Independent non-executive directors					
Li Taihong	*(iv)*	—	—	—	—
Lau Jing Yeung William	*(iv)*	—	—	—	—
Lee Kwok Tung Louis	*(iv)*	—	—	—	—
		—	—	—	—
		—	568	33	601

Note:

(i) Mr. Yang Shengyao was appointed as an executive director and Chairman of the Board on 31 March 2020.

(ii) Ms. Lin Qiuyun has been appointed as an executive director on 20 June 2022.

(iii) Mr. Li Hui has been appointed as an executive director on 20 June 2022.

(iv) Mr. Li Taihong, Mr. Lau Jing Yeung William and Mr. Lee Kwok Tung Louis were appointed as an independent non-executive directors on [•].

(v) Salaries and other benefits included basic salaries, housing allowance, other allowances and benefits in kind.

During the Track Record Period, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(ii) Five highest paid individuals

The five highest paid individuals of the Group included three, two, one directors for the years ended 31 December 2019, 2020 and 2021, whose emoluments are reflected in Note 13(i).

The analysis of the emolument of the remaining two, three and four highest paid individuals for the years ended 31 December 2019, 2020 and 2021, respectively, are set out below:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	361	563	919
Contributions to retirement benefits scheme	22	14	38
	383	577	957

The number of non-director highest paid individuals whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
Nil to HK$1,000,000	2	3	4

During the Track Record Period, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(iii) Senior management emolument band

The number of senior management whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
Nil to HK$1,000,000	1	1	1

14. INCOME TAX EXPENSE

The amount of income tax expense in the combined statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current tax — PRC Enterprise Income Tax (the "**PRC EIT**")			
— for the year	7,505	5,435	9,223
Deferred tax *(Note 24)*			
— for the year	(188)	939	329
Income tax expenses	7,317	6,374	9,552

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, the Company incorporated in the Cayman Islands and the Company's subsidiary incorporated in BVI are not subject to any income tax.

Hong Kong Profits Tax for the Company's subsidiary incorporated in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25%, except for the following two subsidiaries. Jiangxi Zhengwei and Guangchang Zhenglian were approved for the High and New Technology Entities ("**HNTE**") qualification under the PRC Corporate Income Tax Law and its relevant regulations and are entitled to a preferential tax rate of 15% during the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the combined statements of profit or loss and the comprehensive income as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax expense	48,262	47,313	57,844
Tax calculated at the PRC statutory tax rate of 25%	12,066	11,837	14,461
Tax effect of revenue not taxable for tax purposes	(2,620)	(1,364)	(2,380)
Tax effect of expenses not deductible for tax purposes	119	95	117
Effect of tax exemptions granted to PRC subsidiaries	(511)	(2,410)	(1,189)
Tax incentives for research and development expenses available for subsidiaries incorporated in the PRC	(1,728)	(1,875)	(1,902)
Tax losses/temporary difference not recognised	(9)	91	445
	7,317	6,374	9,552

The weighted average applicable tax rate was 15.2%, 13.5%, and 16.2% for the years ended 31 December 2019 and 2020 and 2021 respectively.

15. OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income:

	Year ended 31 December 2019		
	Before-tax amount	Tax expenses/ (benefits)	Net-of-tax amount
	RMB'000	*RMB'000*	*RMB'000*
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instrument at FVOCI	222	—	222
Revaluation of property, plant and equipment and right-of-use assets on transfer to investment property	972	(146)	826
	1,194	(146)	1,048

	Year ended 31 December 2020		
	Before-tax amount	Tax expenses/ (benefits)	Net-of-tax amount
	RMB'000	*RMB'000*	*RMB'000*
Item that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instrument at FVOCI	(446)	—	(446)

	Year ended 31 December 2021		
	Before-tax amount	Tax expenses/ (benefits)	Net-of-tax amount
	RMB'000	*RMB'000*	*RMB'000*
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instrument at FVOCI	212	—	212

16. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

17. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Track Record Period on a combined basis as disclosed in Note 1.

18. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment						
	Buildings	Leasehold improvement	Plant and machineries	Furniture, electronic and other equipment	Motor vehicles	CIP	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2019	24,723	5,617	5,834	1,612	502	—	38,288
Additions	—	—	664	790	—	—	1,454
Disposals	—	—	(50)	(70)	—	—	(120)
Transfer to investment property *(Note (i))*	(2,746)	—	—	—	—	—	(2,746)
At 31 December 2019	21,977	5,617	6,448	2,332	502	—	36,876
Additions	—	61	2,541	243	86	447	3,378
Disposals	—	—	—	(54)	—	—	(54)
Transfer from CIP	211	—	—	—	—	(211)	—
At 31 December 2020	22,188	5,678	8,989	2,521	588	236	40,200
Additions	—	—	6,962	477	120	1,929	9,488
Disposals	—	—	(92)	(6)	—	(236)	(334)
Transfer from investment property *(Note (ii))*	6,110	—	—	—	—	—	6,110
Transfer from CIP	—	877	1,052	—	—	(1,929)	—
At 31 December 2021	28,298	6,555	16,911	2,992	708	—	55,464
Accumulated depreciation and impairment							
At 1 January 2019	1,235	2,358	161	346	248	—	4,348
Provided for the year	590	800	610	340	71	—	2,411
Eliminated on disposals	—	—	(14)	(32)	—	—	(46)
Transfer to investment property	(261)	—	—	—	—	—	(261)
At 31 December 2019	1,564	3,158	757	654	319	—	6,452
Provided for the year	548	612	700	436	78	—	2,374
Eliminated on disposals	—	—	—	(41)	—	—	(41)
At 31 December 2020	2,112	3,770	1,457	1,049	397	—	8,785
Provided for the year	606	533	2,045	503	106	—	3,793
Eliminated on disposals	—	—	(63)	(4)	—	—	(67)
At 31 December 2021	2,718	4,303	3,439	1,548	503	—	12,511

	Property, plant and equipment						
	Buildings	Leasehold improvement	Plant and machineries	Furniture, electronic and other equipment	Motor vehicles	CIP	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net book value							
At 31 December 2021	25,580	2,252	13,472	1,444	205	—	42,953
At 31 December 2020	20,076	1,908	7,532	1,472	191	236	31,415
At 31 December 2019	20,413	2,459	5,691	1,678	183	—	30,424

Note:

(i) During the year ended 31 December 2019, a building was reclassified as investment property (Note 20), because it was no longer used by the Group and it was decided that the building would be leased to a related party (Note 40).

(ii) During the year ended 31 December 2021, the investment property (Note 20) was reclassified as building, because the Group terminate the lease with the related party and used by the Group for its own operation.

At 31 December 2019, 2020 and 2021, the Group's buildings with an aggregate carrying amount of approximately RMB20,413,000, RMB20,076,000 and RMB25,580,000 respectively were pledged to secure banking facilities granted to the Group (Note 34).

The net book value of construction in progress consists of an amount of RMB236,000 as at 31 December 2020 relating to the Group's new low temperature warehouse, which was under construction started depreciated when the property was completed and available for use.

19. LEASE

The Group as a lessee

The Group leases land use right and low-temperature warehouses in the PRC during the Track Record Period.

During the Track Record Period, the leases of the Group are with fixed payments only; and the lease contracts signed by the Group did not contain any extension options exercisable.

RIGHT-OF-USE ASSETS

	Land use right	Low temperature warehouses	Lease of farm land	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	7,952	—	—	7,952
Commencement of lease	—	226	8,641	8,867
Offset with net investment in subleases	—	—	(6,721)	(6,721)
Loss from net investment in subleases	—	—	(1,920)	(1,920)
Transfer to investment property *(Note 20)*	(1,903)	—	—	(1,903)
Depreciation for the year	(147)	(121)	—	(268)
At 31 December 2019	5,902	105	—	6,007
Effect of lease modification	—	84	—	84
Depreciation for the year	(126)	(105)	—	(231)
At 31 December 2020	5,776	84	—	5,860
Effect of lease modification	—	84	—	84
Transfer from investment property *(Note 20)*	580	—	—	580
Depreciation for the year	(130)	(84)	—	(214)
At 31 December 2021	6,226	84	—	6,310

All right-of-use assets were carried at depreciated cost during the Track Record Period.

The interest of land use right in the PRC are prepaid upon acquisition with the lease term of 50 years. The Group had also leased low temperature warehouses in the PRC till October 2021. The rental agreements are made for a fixed period from 12 months to 24 months which do not impose any restriction or covenant.

At 31 December 2019, 2020 and 2021, the Group's land use right with an aggregate carrying amounts of approximately RMB5,902,000, RMB5,776,000 and RMB6,226,000 respectively were pledged to secure banking facilities granted to the Group (Note 34).

LEASE LIABILITIES

The reconciliation of movements in the lease liabilities during the Track Record Period is presented below:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	—	2,185	2,020
Addition	8,867	—	—
Offset with net investment in subleases	(6,721)	—	—
Early termination of leases	—	—	(1,782)
Interest expense	165	173	162
Lease payments	(126)	(422)	(400)
Effect of lease modification	—	84	84
At the end of the year	2,185	2,020	84

The total future minimum lease payments under non-cancellable leases and the reconciliation to the lease liabilities recognised in the combined statements of financial position are as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Minimum future lease payments			
— Within one year	422	398	86
— more than 1 year but not exceeding 2 years	313	313	—
— more than 2 year but not exceeding 5 years	938	938	—
— More than five years	1,562	1,250	—
	3,235	2,899	86
Less: Future finance charge	(1,050)	(879)	(2)
Present value of minimum lease payments	2,185	2,020	84
Initial period of the leases	14-120 months	14-120 months	12 months

The present value of future lease payments are analysed as:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Current	249	238	84
Non-current	1,936	1,782	—
	2,185	2,020	84
Aggregate undiscounted commitments for short term leases	—	48	48

The Group as a lessor

The Group leases its office premises in the PRC to certain tenants during the Track Record Period.

The minimum rent receivables under non-cancellable operating leases are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Not later than one year	231	231	—
Later than one year and not later than two years	231	231	—
Later than two years and not later than three years	231	231	—
Later than three years and not later than four years	231	115	—
Later than four years and not later than five years	115	—	—
	1,039	808	—
Initial period of the lease	5 years	5 years	N/A

20. INVESTMENT PROPERTY

	RMB'000
At 1 January 2019	—
Addition — transferred from property, plant and equipment (Note 18)	2,485
Addition — transferred from right-of use assets *(Note 19)*	1,903
Increase in fair value recognised in other comprehensive income	972
Increase in fair value recognised in profit or loss *(Note 8)*	70
At 31 December 2019	5,430
Increase in fair value recognised in profit or loss *(Note 8)*	160
At 31 December 2020	5,590
Increase in fair value recognised in profit or loss *(Note 8)*	1,100
Transferred to property, plant and equipment *(Note 18)*	(6,110)
Transferred to right-of use assets *(Note 19)*	(580)
At 31 December 2021	—

Investment property is pledged to a bank to secure a bank borrowing granted to the Group (Note 34).

The fair value of the Group's investment property at 31 December 2019, 2020 and 2021 have been arrived at on market value basis carried out by Sino Infinite Appraisal Limited, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of investment property is a Level 3 recurring fair value measurement. During the years ended 31 December 2019, 2020 and 2021, there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the Track Record Period in which they occur.

Fair value is determined by applying the income approach, using the discounted cash flow method, based on the estimated rental value of the property. The valuation takes into account which the property would be fully occupied and rental income of the property. The discount rates have been adjusted for the condition and location of the building. There were no changes to the valuation techniques during the Track Record Period. The fair value measurement is based on the above property's highest and best use, which does not differ from their actual use.

The following table shows the significant unobservable inputs used in the fair value estimate:

Significant unobservable inputs	Relationship with fair value	At 31 December 2019	At 31 December 2020	At 1 October 2021 (Transfer date)
Income capitalisation rate	Inverse	7.25%	7.47%	6.47%
Expected occupancy	Positive	Fully occupied	Fully occupied	Fully occupied
Terminal yield	Inverse	7.47%	7.71%	6.72%

The higher the income capitalisation rate and terminal yield, the lower the fair value. The higher the occupancy, the higher the fair value.

There were no changes to the valuation techniques during the period.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

During the Track Record Period, there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

During the year ended 31 December 2021, the investment properties was reclassified as owner occupied properties, because they were no longer leased to a third party and it was decided that such warehouse would be used by the Group. Immediately before the transfer, the Group remeasured the properties to fair value and recognised a gain of HK$1,110,000 in profit or loss. The valuation techniques and significant observable inputs used in measuring the fair value of the buildings at the date of transfer were the same as those applied at the end of the reporting period.

21. GOODWILL

	RMB'000
Gross carrying amount	
At 1 January 2019, 31 December 2019, 31 December 2020 and 31 December 2021	269
Accumulated impairment losses	
At 1 January 2019, 31 December 2019, 31 December 2020 and 31 December 2021	—
Net carrying amount	
At 31 December 2019	269
At 31 December 2020	269
At 31 December 2021	269

The total balance of goodwill is allocated to a CGU, trading of food product.

The recoverable amounts of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.5% throughout the Track Record Period.

	At 31 December 2019	**At 31 December 2020**	**At 31 December 2021**
Pre-tax Discount rate	16.1%	14.8%	15.3%
Revenue growth rate within the five year	2.9% to 5.6%	3.0% to 5.0%	3.0% to 4.0%
Terminal Growth rate	2.5%	2.5%	2.0%

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

The operating margin and growth rate within the five-year period have been based on past experience.

22. INTANGIBLE ASSETS

	Software	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January 2019	149	500	649
Additions	—	1,300	1,300
Disposals	—	—	—
At 31 December 2019 and 2020	149	1,800	1,949
Additions	—	—	—
Disposals	—	—	—
At 31 December 2021	149	1,800	1,949
Amortisation and impairment			
At 1 January 2019	65	41	106
Amortisation	25	360	385
At 31 December 2019	90	401	491
Amortisation	25	360	385
At 31 December 2020	115	761	876
Amortisation	25	360	385
At 31 December 2021	140	1,121	1,261
Net book value			
As at 31 December 2019	59	1,399	1,458
As at 31 December 2020	34	1,039	1,073
At at 31 December 2021	9	679	688

23. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Equity instrument in an unlisted company measured at FVTOCI *(Note)*			
— Jiangxi Gannong Financing Guarantee Co., Ltd* ("**Jiangxi Gannong**") (江西省贛農融資擔保有限責任公司) (formerly known as Jiangxi Agricultural Industrialization Heading Enterprise Guarantee Co, Limited* (江西省農業產業化龍頭企業擔保有限責任公司)	1,355	909	1,121

The following table presents the changes in investment in Jiangxi Gannong for the years ended 31 December 2019, 2020 and 2021.

	RMB'000
At 1 January 2019	1,133
Change in fair value	222
At 31 December 2019	1,355
Change in fair value	(446)
At 31 December 2020	909
Change in fair value	212
At 31 December 2021	1,121

Note:

The equity investment of 0.5% in a state owned enterprise located in the PRC was irrevocably designated at FVTOCI as the Group considers this investment to be strategic in nature.

Further details on the Group's fair value measurement are set out in Note 42(b).

* *English name of the unlisted company is translated directly from its corresponding official Chinese name.*

24. DEFERRED TAX

	Accrued expenses	Allowance for expected credit loss	Allowance for sales returns provision	Allowance for inventory provision	Fair value gain on investment property	Temporary difference on right of use assets	Temporary difference on property, plant and equipment	Unrealised internal sales profit	Total
	RMB'000 *(Note (a))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	1,116	344	113	286	—	—	—	(16)	1,843
Credited/(charged) to profit or loss for the year	199	21	(27)	(147)	(11)	—	—	153	188
Charged to other comprehensive income for the year	—	—	—	—	(146)	—	—	—	(146)
At 31 December 2019 and 1 January 2020	1,315	365	86	139	(157)	—	—	137	1,885
Charged to profit or loss for the year	(535)	(160)	(34)	(49)	(24)	—	—	(137)	(939)
At 31 December 2020 and 1 January 2021	780	205	52	90	(181)	—	—	—	946
Credited/(charged) to profit or loss for the year	31	(142)	11	(64)	181	198	(544)	—	(329)
At 31 December 2021	811	63	63	26	—	198	(544)	—	617

The deductible temporary differences and unused tax losses was not recognised in the combined financial statements due to unpredictability of future profit streams.

(a) The amount represents deferred tax assets arising from accrual of social insurance expenses and housing provident fund expenses at the amounts of RMB199,000 for the year ended 31 December 2019 and reversal of social insurance, house provident fund at the amounts of RMB535,000 for the year ended 31 December 2020 and accrual of RMB31,000 for the year ended 31 December 2021 respectively.

(b) The deductible temporary differences can be carried forward indefinitely.

(c) The PRC tax losses can only be carried forward for a maximum period of five years. The expiry of unused tax losses for which no deferred tax assets have been recognised is as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Tax losses will expire in 2023	293	293	293
Tax losses will expire in 2024	—	—	—
Tax losses will expire in 2025	—	1	1
Tax losses will expire in 2026	—	—	—
Tax losses will expire in 2027	—	—	—
	293	294	294

(d) Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the directors of the Group decided not to distribute the undistributed earnings for the period from 1 January 2008 up to the end of the Track Record Period from its PRC subsidiaries in the future.

25. INVENTORIES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	46,739	62,495	59,598
Finished goods	12,678	33,700	44,632
Finished goods — merchandise purchase	3,655	2,053	2,400
	63,072	98,248	106,630
Less: Provision for impairment loss	(627)	—	(171)
	62,445	98,248	106,459

26. TRADE RECEIVABLES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	76,143	53,640	63,507
Less: Impairment provision	(1,799)	(1,245)	(344)
	74,344	52,395	63,163

The Group's trading term with customers are mainly on credit. The credit terms are generally 30 to 90 days.

As at 31 December 2019, 2020 and 2021, the Group's trade receivables with an aggregate carrying amounts of approximately RMB5,003,000, nil and nil respectively were pledged to secure banking facilities granted to the Group (Note 34).

An ageing analysis, based on the invoice dates, as of the end of each Track Record Period is as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	53,185	41,315	37,657
1 to 2 months	17,860	11,985	25,510
2 to 3 months	4,453	—	—
3 months to 1 year	—	—	—
Over 1 year	645	340	340
	76,143	53,640	63,507

Movement on the Group's provision for impairment on trade receivables are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	1,653	1,799	1,245
Provision/(reversal) of impairment loss, net	146	(554)	(901)
At the end of year	1,799	1,245	344

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 41 (a).

27. PREPAYMENTS AND DEPOSITS AND OTHER RECEIVABLES

		As at 31 December		
	Note	2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Current				
Prepayments		373	656	521
Value added tax recoverable		19	141	1,275
Deposit		422	348	336
Other receivables		8,901	11,279	10,040
Deferred **[REDACTED]**		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Payment in advance to suppliers		26,867	658	—
		37,828	15,679	15,356
Less: Impairment provision	*b*	(74)	(48)	(56)
		37,754	15,631	15,300
Non-current				
Other receivables		1,392	557	—
	a	39,146	16,188	15,300

Note:

(a) The carrying amounts of prepayments and deposits and other receivables were primarily denominated in RMB and approximated their fair values due to their short maturity at the reporting date.

(b) The impairment provision of deposits and other receivables as at 31 December 2019, 2020 and 2021 were as follow:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Deposits and other receivables, at gross	9,323	11,627	10,376
Less: Impairment provision	(74)	(48)	(56)
Deposits and other receivables, at net	9,249	11,579	10,320

The movement of provision was as follow:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	278	74	48
Provision/(reversal) of impairment loss, net	(204)	(26)	8
At the end of year	74	48	56

28. RIGHT OF RETURN ASSETS

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Right of return assets	976	767	818

The right of return assets represent the product expected to be returned from customers where customers exercise their right of return within the return period (50 or 90 days, depending on the terms stated at contract). The Group uses its accumulated historical experience to estimate the sales amount of the returned goods. The Group's accounting policy of right of return assets is set out in Note 4(l).

29. AMOUNT DUE FROM A RELATED PARTY

		As at 31 December		
	Note	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Amount due from a related party				
Nanchang Huaheng Xisu Industry Company Limited* ("**Huaheng**") (南昌市華恒吸塑實業有限公司)	*(a, b, c)*	58	58	—

Note:

(a) Huaheng is controlled by Mr. Wu Bangjun who is a key management personnel of the Company.

(b) At 31 December 2019 and 2020, the amount due from a related party was trade nature, unsecured, interest-free and repayable on demand.

(c) The maximum balance outstanding due from Huaheng is RMB58,000 for the years ended 31 December 2019, 2020 and 2021 as disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622).

30. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents.	41,136	142,338	127,321

Cash and cash equivalent are denominated in RMB placed in the PRC. RMB is not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies only through banks that are authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

* *English name of this company is translated directly from its corresponding official Chinese name.*

31. TRADE PAYABLES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade payables *(Note)*	24,774	52,390	42,511

Note:

An ageing analysis of trade payables as at the respective reporting dates, based on the invoice dates, is as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within six months	24,121	52,390	42,511
Six months to 1 year	653	—	—
Over 1 year	—	—	—
	24,774	52,390	42,511

The Group's trade payables are non-interest bearing and generally have payment terms of up to 30 days.

32. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Current			
Other payables	3,491	2,816	1,855
Accruals	13,717	10,979	12,525
Deferred revenue	251	251	—
	17,459	14,046	14,380
Non-current			
Deferred revenue	2,005	1,755	—
	19,464	15,801	14,380

33. CONTRACT LIABILITIES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities arising from sale of dried delicacies, instant snacks, dried aquatic products, grains and seasonings and others	450	290	593

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of dried delicacies, instant snacks dried aquatic products, grains and seasonings and others

The Group may request a 50% deposit from customers on acceptance of order for the products, with the remainder of the consideration payable at the time of delivery of finished goods.

The Group applied practical expedient but since the performance obligation is part of a contract that has an original expected duration of one year or less so did not make further disclosure on the remaining performance obligation.

Movements in contract liabilities are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
As beginning of the year	259	450	290
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(259)	(450)	(290)
Increase in contract liabilities as a result of advanced consideration received from customers	450	290	593
At end of the year	450	290	593

34. BORROWINGS

	Note	As at 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Current				
Bank borrowings — secured	*a, b*	80,050	97,640	66,114
Other borrowings — unsecured	*c*	—	—	20,000
Provision of interest expense		922	946	919
		80,972	98,586	87,033
Non-current				
Bank borrowings — secured	*b*	3,673	—	3,626
Other borrowings — unsecured	*c*	20,000	20,000	—
		23,673	20,000	3,626
Total borrowings		104,645	118,586	90,659

Note:

(a) The bank loans are secured by:

(i) the Group's certain buildings included in property, plant and equipment (Note 18) amounted to RMB20,413,000, RMB20,076,000 and RMB25,580,000 at 31 December 2019, 2020 and 2021 respectively;

(ii) Land use right under right-of-use assets (Note 19) amounted to RMB5,902,000, RMB5,776,000 and RMB6,226,000 at 31 December 2019, 2020 and 2021 respectively;

(iii) Investment property (Note 20) amounted to RMB5,430,000, RMB5,590,000 and nil at 31 December 2019, 2020 and 2021 respectively;

(iv) trade receivables (Note 26) amounted to RMB5,003,000, nil and nil at 31 December 2019, 2020 and 2021 respectively;

(v) corporate guarantee given by the Group's shareholders, related companies controlled by shareholders and other non-related third parties; and

(vi) personal guarantee given by the Group's director, Mr. Yang, director of subsidiary — Guangchang Zhenglian, Mr. Lin Deqian and his wife, Ms. Xia Liangping, shareholders of the Company and their close family members and other non-related third parties.

(b) Interest are charged at fixed/floating effective interest rates ranging from 5.22% to 11.00% per annum ("**p.a.**"), 3.25% to 9.72% p.a. and 4.35% to 8.5% p.a. at 31 December 2019, 2020 and 2021 respectively.

(c) As at 31 December 2019, 2020 and 2021, other borrowings of RMB20,000,000, RMB20,000,000 and nil are guaranteed by the Group's directors, Mr Yang and Ms. Lin. Interest are charged at fixed effective interest rates of 8.5% p.a., 8.5% p.a. and 8.5% p.a. at 31 December 2019, 2020 and 2021 respectively.

At the end of each of the Track Record Period, total current and non-current borrowings were scheduled to repay as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
Within one year	80,169	97,760	66,141
More than one year, but not exceeding two years	3,673	—	2,026
More than two years, but not exceeding five years	—	—	1,600
	83,842	97,760	69,767
Other borrowings			
Within one year	803	826	20,892
More than one year, but not exceeding two years	—	20,000	—
More than two years, but not exceeding five years	20,000	—	—
	20,803	20,826	20,892
Total borrowings	104,645	118,586	90,659

35. AMOUNTS DUE FROM/(TO) SHAREHOLDERS

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from shareholders			
Shengyao Investment Group Limited	—	109	109
Trendy Peak International Limited	—	59	59
Pluto Universal Holdings Limited	—	24	24
Best Talent Venture Holdings Limited	—	31	31
Mass Jovial Group Limited	—	15	15
Prosperous Season Group Limited	—	53	53
Chang Nan Financial Control Limited	—	29	29
Cheerly Success Investment Group Limited	—	6	6
Vantage Link Investments Limited	—	17	17
	—	343	343
Amounts due to a shareholder			
Yang Shengyao	—	(9)	(9)

The amounts due from/(to) shareholders were non-trade in nature, unsecured, interest-free and repayable on demand.

36. SHARE CAPITAL

	Number	Amount	Amount
		US$'000	*RMB'000*
Ordinary shares of par value of US$1 each			
Authorised			
On 31 March 2020 (date of incorporation) *(Note a)*	50,000	50	354
Increase in authorised share capital *(Note b)*	50,000	50	361
As at 31 December 2020 and 2021	100,000	100	715
Issued and fully paid			
On 31 March 2020 (date of incorporation) *(Note a)*	50,000	50	354
Capital contribution from a shareholder *(Note c)*	2,632	3	18
As at 31 December 2020 and 2021	52,632	53	372

Note:

(a) There was no authorised, issued and paid share capital as at 1 January 2019 and 31 December 2019 since the Company was not yet set up by then.

The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 31 March 2020 with authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of incorporation, 50,000 ordinary shares of US$1 were allotted and issued by the Company.

(b) On 3 November 2020, the authorised share capital was increased to US$100,000 divided into 100,000 shares of US$1 each by the creation of 50,000 ordinary shares of US$1 each, each ranking pari passu with the ordinary shares then in issue with all respects.

(c) Pursuant to the resolution of the shareholders, the Company allotted and issued 2,632 ordinary shares of US$1 each on 3 November 2020.

37. RESERVES

(a) The Group

Details of the movements in the reserves of the Group during the Track Record Period are set out in the combined statements of changes in equity.

(b) The Company

The movement in the reserves of the Company from 31 March 2020 (date of incorporation) to 31 December 2021 is presented below:

	Accumulated losses
	RMB'000
As at 31 March 2020 (date of incorporation)	—
Profit for the period	8
As at 31 December 2020 and 1 January 2021	8
Loss for the year	(122)
As at 31 December 2021	(114)

(c) The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Capital reserve	Capital reserve represents capital injection in excess of registered capital.
Statutory reserve	In accordance with the relevant PRC laws and regulations and the Company's articles of association, the Company is required to transfer 10% of its net profit as determined in accordance with accounting rules and regulations of the PRC to the statutory PRC reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity shareholders. This reserve can be utilised in setting off accumulated losses or increase capital and is non-distributable other than in liquidation.

Reserve	Description and purpose
Merger reserve	It represents the difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital of PRC subsidiaries acquired pursuant to the Group Reorganisation.
FVTOCI reserve (non-recycling)	Balance represents fair value reserve comprises the cumulative net change in the fair value of equity investment designated at FVTOCI under HKFRS 9 that are held at the end of the Track Record Period.
Retained earnings/ (accumulated losses)	Cumulative net gains and loss recognised in profit and loss.

38. INTEREST IN A SUBSIDIARY

The Company

	As at 31 December 2020	As at 31 December 2021
	RMB'000	*RMB'000*
Unlisted investment, at cost	363	363

Particulars of the directly and indirectly held subsidiaries of the Company are set out on pages 19 of this report.

39. DISPOSAL OF A SUBSIDIARY

During the year ended 1 September 2021, the Group disposed of the entire equity interests in a subsidiary Pingnan Anwang Trade Co., Limited ("**Pingnan Anwang**") at a total cash consideration of approximately RMB1,936,000.

The net assets of Pingnan Anwang as at the date of disposal was as follows:

	1/9/2021
	RMB'000
Analysis of assets and liabilities over which the control was lost:	
Deposits and other receivables	1,933
Bank balances and cash	3
Net assets disposed of	1,936
Gain on disposal:	
Consideration received	1,936
Net assets disposed of	(1,936)
	—
Net Cash inflow arising on disposal:	
Cash consideration received	1,936
Less: bank balances and cash disposed of	(3)
	1,933

40. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Group had the following significant transactions with related parties during the Track Record Period:

Name of related parties	Nature of transaction	*Note*	For the years ended 31 December 2019	2020	2021
			RMB'000	*RMB'000*	*RMB'000*
南昌市雷式學校 (Nanchang Leishi School*) ("**Leishi School**")	Sales of finished goods	(i)	70	211	338
南昌雷式課外培訓學校有限公司 (Nanchang Leishi Extracurricular Training School Co., Ltd.) ("**Leishi Extracurricular Training**")	Sales of finished goods	(i)	—	186	—
南昌雷式培訓學校 (Nanchang Leishi Training School*) ("**Leishi Training**")	Sales of finished goods	(i)	—	443	240
楊白瓊 ("**Yang Baiqiong**")	Sales of finished goods	(ii)	55	3	—
蘭輝 ("**Lan Hui**")	Sales of finished goods	(iii)	13	—	—
Huaheng	Rental income	(iv)	110	220	184

Note:

(i) Leishi School, Leishi Extracurricular Training and Leishi Training are controlled by Mr. Lei Junfeng, who is a director of Jiangxi Zhengwei.

(ii) Ms. Yang Baiqiong is the spouse of Mr. Yang Shengbing, who is the brother of one of the board of directors, Mr Yang Shengyao.

(iii) Mr. Lan Hui is an employee of Jiangxi Zhengwei.

(iv) Huaheng is controlled by Mr. Wu Bangjun who is the supervisor of Jiangxi Zhengwei.

* *English names of the related companies are translated directly from their corresponding official Chinese names.*

(b) Compensation of key management personnel

The key management personnel of the Group represent directors and other senior management of the Group. Details of the remuneration paid to them during the Track Record Period are set out in Note 13 to the Historical Financial Information.

(c) Outstanding balance with a related party

Details of the Group's amounts due from a related party and shareholders are included in Notes 29 and 35.

41. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade receivables, deposits and other receivables and amounts due from shareholders and a related party and cash and cash equivalents that derive directly from its operations. Principal financial liabilities of the Group include trade payables, other payables, borrowings and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each of the Track Record Period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and deposits with banks.

The Group's customers are mainly reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the Track Record Period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Management is of the opinion that the risk of default by counterparties is material and Note 26 detail the loss allowance provision was recognised during the Track Record Period. Expected loss rate are based on the actual loss experience over the past 5 years. These rates are adjusted to reflect the differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of these receivables. The adjustment factors are based on the historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

Measurement of expected credit loss on collective basis

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019, 2020 and 2021:

	Not yet past due	3 months past due	3 to 6 months past due	6 to 12 months past due	Over 12 months past due	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019						
Expected loss rate	1.51%	2.11%	3.00%	6.68%	100%	
Gross carrying amount.	73,581	1,917	—	—	645	76,143
Loss allowance provision	1,114	40	—	—	645	1,799
As at 31 December 2020						
Expected loss rate	1.68%	2.12%	3.30%	6.71%	100%	
Gross carrying amount.	50,655	2,645	—	—	340	53,640
Loss allowance provision	849	56	—	—	340	1,245
As at 31 December 2021						
Expected loss rate	0.01%	0.05%	0.36%	9.72%	100%	
Gross carrying amount.	63,167	—	—	—	340	63,507
Loss allowance provision	4	—	—	—	340	344

For deposits and other receivables, the directors make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Management is of the opinion that the risk of default by counterparties is material and Note 27 details the loss allowance provision was recognised during the Track Record Period.

As at 31 December 2019, 2020 and 2021, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivable mentioned above. The Group does not hold any collateral or other credit enhancement over these balances.

The Group had a concentration of credit risk as certain of the Group's trade receivables were due from the Group's five largest customers as detailed below.

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Five largest customers	69,928	49,772	58,952

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the Track Record Period and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the Track Record Period.

	Interest rate	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019							
Trade payables	N/A	24,774	24,774	24,774	—	—	—
Other payables and accruals	N/A	19,464	19,559	17,459	262	788	1,050
Borrowings	5.22%–11.00%	104,645	110,196	82,499	4,180	23,517	—
Lease Liabilities	3.86%–8.52%	2,185	3,236	422	313	938	1,563
		151,068	157,765	125,154	4,755	25,243	2,613
As at 31 December 2020							
Trade payables	N/A	52,390	52,390	52,390	—	—	—
Other payables and accruals	N/A	15,801	15,884	14,046	262	788	788
Borrowings	3.25%–9.72%	118,586	121,581	99,791	21,790	—	—
Lease Liabilities	3.86%–8.52%	2,020	2,899	399	313	937	1,250
Amount due to a shareholder	N/A	9	9	9	—	—	—
		188,806	192,763	166,635	22,365	1,725	2,038
As at 31 December 2021							
Trade payables	N/A	42,511	42,511	42,511	—	—	—
Other payables and accruals	N/A	14,380	14,380	14,380	—	—	—
Borrowings	4.35%–8.50%	90,659	93,289	86,324	—	6,965	—
Lease Liabilities	3.86%–8.52%	84	86	86	—	—	—
Amounts due to beneficial shareholders	N/A	9	9	9	—	—	—
Amounts due to related parties	N/A	—	—	—	—	—	—
		147,643	150,275	143,310	—	6,965	—

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group fair value interest rate risk.

Other than cash and cash equivalent (Note 30), the Group does not have significant interest-bearing assets. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk.

At 31 December 2019, 2020 and 2021, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits (through the impact on the Group's bank borrowings which are subject to floating interest rate) by approximately RMB46,000, RMB30,000 and RMB27,000 respectively. No impact would be on other components of combined equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 25 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The policy to manage interest rate risk has been followed by the Group since prior years and is considered to be effective.

(d) Foreign currency risk

The Group mainly operated in the PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Track Record Period.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. Total debt is calculated as borrowings and lease liabilities. Capital includes equity attributable to owners of the Company.

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Total debt	106,830	120,606	90,743
Equity attributable to the owners of the Company	109,109	163,132	211,636
Total debt and equity	215,939	283,738	302,379
Gearing ratio	49%	43%	30%

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at FVOCI — non-current			
Financial asset at FVOCI	1,355	909	1,121
Financial assets at amortised cost — non-current			
Other receivable	1,392	557	—
	2,747	1,466	1,121

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost — current			
Trade receivables	74,344	52,395	63,163
Deposits and other receivables	9,249	11,579	10,320
Amount due from a related party	58	58	—
Amounts due from shareholders	—	343	343
Cash and cash equivalents	41,136	142,338	127,321
	124,787	206,713	201,147
	127,534	208,179	202,268
Financial liabilities			
Financial liabilities at amortised costs — current			
Trade payables	24,774	52,390	42,511
Other payables and accruals	17,459	14,046	14,380
Amount due to a shareholder	—	9	9
Borrowings	80,972	98,586	87,033
Lease liabilities	249	238	84
	123,454	165,269	144,017
Financial liabilities at amortised costs — non-current			
Borrowings	23,673	20,000	3,626
Lease liabilities	1,936	1,782	—
Other payables	2,005	1,755	—
	27,614	23,537	3,626
	151,068	188,806	147,643

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables, deposit, other receivables, amounts due from/(to) a related party/shareholders, trade payables, other payables and accruals, lease liabilities and borrowings.

Due to their short term nature, the carrying value of cash and cash equivalents, trade receivables, deposit and other receivables, amounts due from/(to) a related party/shareholders and trade payables and other payables approximates fair value.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019, 2020 and 2021.

(b) Financial instruments measured at fair value

Financial instruments measured at fair value include financial asset at fair value through other comprehensive income, which was in Level 3 of fair value hierarchy. Level 3 hierarchy represented inputs for the asset or liability that are not based on observable market data (unobservable inputs). There were no transfers between levels during the Track Record Period. The reconciliation of the change in financial asset at fair value through other comprehensive income was disclosed in Note 23.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

The fair value of the unlisted equity investment in Jiangxi Gannong is estimated using a market approach, hence, the valuations are relies on the trading multiples of publicly traded guideline companies of Jiangxi Agricultural and uses data generated by actual market transaction.

Significant unobservable inputs used in the fair value measurement are as follows:

	As at 31 December		
	2019	2020	2021
Median of Price-To-Book Ratio.	1.0	0.6	0.9
Discount for lack of marketability.	20.6%	20.6%	20.6%

If the median of price-to-book ratio changed by 5%, 5% and 5% for the years ended 31 December 2019, 2020 and 2021 would increase/decrease the fair value of investment in Jiangxi Gannong by approximately RMB68,000, RMB45,000 and RMB56,000 respectively.

There were no changes in valuation techniques during the Track Record Period.

43. CAPITAL COMMITMENTS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Commitments for the acquisition of property, plant and equipment:			
Contracted but not provided for	—	—	—

44. SUBSEQUENT EVENTS

Save as disclosed above, there are no other significant events which took place subsequent to 31 December 2021.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2021.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 March 2020 under the Companies Act. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [DATE]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by an ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resigns;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by an ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Financial assistance to purchase Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to give, directly or indirectly, by means of a loan, a guarantee, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any Shares or warrants or other securities in the Company or any company which is a holding company of the Company.

(ix) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A

Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(x) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote and the right to speak.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each financial year other than the financial year of the Company's adoption of the Articles. Such annual general meeting must be held within six (6) months after the end of the Company's financial year (unless a longer period would not infringe the Listing Rules, if any) and shall be held in the Relevant Territory or elsewhere as may be determined by the Board and at such time and place as the Board shall appoint.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(vii) Right to Speak

All members have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members may by an ordinary resolution appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in a general meeting by an ordinary resolution in such manner as the members may determine.

The members may, at a general meeting remove the auditor(s) by an ordinary resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by an ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 31 March 2020 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Act;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR COMPANY

(i) Incorporation

Our Company was incorporated on 31 March 2020 in the Cayman Islands as an exempted company with limited liability under the Companies Act. We have established a principal place of business in Hong Kong at Unit 12, 12/F., Tower A, New Mandarin Plaza, No. 14 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [•] 2022. Mr. Yang and Mr. Chan Ngai Fan have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong.

As we are incorporated in the Cayman Islands, our corporate structure, Memorandum and Articles of Association are subject to the laws of the Cayman Islands. A summary of our constitution and the relevant aspects of Cayman Islands company law is set out in Appendix III to this document.

(ii) Changes in Share Capital of our Company

(a) on 31 March 2020, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital was US$50,000 divided into 50,000 shares of par value of US$1 each;

(b) on 31 March 2020, one share of par value US$1 was allotted and issued fully-paid to the subscriber, an Independent Third Party, which in turn transferred such share to Shengyao Investment at par. On the same date, 16,684, 9,070, 8,165, 4,765, 4,405, 3,710, 2,270 and 930 shares of a par value of US$1 each were allotted and issued all credited as fully-paid to Shengyao Investment, Trendy Peak, Prosperous Season, Best Talent, Chang Nan Financial, Pluto Universal, Mass Jovial and Cheerly Success respectively;

(c) on 3 November 2020, the authorised share capital of the Company was increased from US$50,000 divided into 50,000 shares of a par value of US$1 each to US$100,000 divided into 100,000 shares of a par value of US$1 each by the creation of additional 50,000 shares of a par value of US$1 each. On the same date, our Company allotted and issued 2,632 shares of a par value of US$1 each to Mr. Su at the consideration of US$2,632; and

(d) on 20 June 2022, pursuant to the written resolutions passed by our Shareholders, each of the issued and unissued shares of a par value of US$1.0 in the share capital of the Company was subdivided into 100 Shares of a par value of US$0.01 each, such that the Company's authorised share capital is US$100,000 divided into 10,000,000 Shares of a par value of US$0.01 each; and

(e) on [•], the authorised share capital if our Company was increased from US$100,000 divided into 10,000,000 Shares of a par value of US$0.01 each to US$[80,000,000] divided into [8,000,000,000] Shares of a par value of US$0.01 each.

Save for aforesaid and as mentioned in the paragraph headed "— 1. Further Information about our Company — (iv) Written Resolutions of our Shareholders passed on [•]" below, there has been no alteration in the share capital of our Company since its incorporation.

(iii) Share Capital of our Company after the [REDACTED]

Immediately following the completion of the **[REDACTED]** but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** and the options that may be granted under the Share Option Scheme, the authorised share capital of our Company will be US$[80,000,000] divided into 8,000,000,000 Shares and the issued share capital of our Company will be US$**[REDACTED]** divided into **[REDACTED]** Shares, all fully paid or credited as fully paid, and **[REDACTED]** Shares will remain unissued.

Other than the exercise of the **[REDACTED]**, the exercise of any options which may be granted under the Share Option Scheme or the exercise of the general mandate to issue Shares referred to in the paragraph headed "— 1. Further Information about our Company — (iv) Written Resolutions of our Shareholders passed on [•]", our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Appendix and the section headed "History, Reorganisation and Corporate Structure" in this document, there has been no alteration in the share capital of our Company since our incorporation.

(iv) Written Resolutions of our Shareholders passed on [•]

Pursuant to the resolutions in writing passed by our Shareholders on [•]:

(a) our Company approved and adopted the Memorandum and Articles of Association with effect from the **[REDACTED]**;

(b) conditional upon (i) the **[REDACTED]** granting the **[REDACTED]** of, and **[REDACTED]** in, the Shares in issue and Shares to be issued pursuant to the **[REDACTED]**, the **[REDACTED]**, the exercise of the **[REDACTED]** and the Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme; (ii) the **[REDACTED]** having been fixed on or around the **[REDACTED]**; (iii) the execution and delivery of the **[REDACTED]** on or around the **[REDACTED]**; and (iv) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the **[REDACTED]**) (for itself and on behalf of the **[REDACTED]**) and the **[REDACTED]** not being terminated in accordance with their respective terms or otherwise:

(i) the **[REDACTED]** and the **[REDACTED]** were approved and our Directors were authorised to effect the same and to allot and issue the new Shares pursuant to the **[REDACTED]** and the **[REDACTED]**;

(ii) the proposed **[REDACTED]** of our Shares on the Stock Exchange was approved and our Directors were authorised to implement such **[REDACTED]**;

(iii) the **[REDACTED]** was approved and our Directors were authorised to effect the same and to allot and issue up to **[REDACTED]** Shares upon the exercise of the **[REDACTED]**; and

(iv) conditional on the share premium account of our Company having been credited as a result of the allotment and issue of the **[REDACTED]** pursuant to the **[REDACTED]**, our Directors were authorised to allot and issue a total of **[REDACTED]** Shares credited as fully paid at par by way of capitalisation of the sum of US$**[REDACTED]** standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;

(c) a general unconditional mandate was granted to our Directors to, inter alia, issue, allot and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that:

(1) the aggregate number of Shares allotted and issued or agreed to be allotted and issued by our Directors shall not exceed:

(i) 20% of the aggregate number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (but excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme); and

(ii) the aggregate number of Shares repurchased by our Directors (if any) under the general mandate to repurchase Shares referred to below;

(2) the aggregate number of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares pursuant to:

(i) a rights issue;

(ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles;

(iii) any specific authority granted by the Shareholders in general meeting; or

(iv) the exercise of any options which may be granted under the Share Option Scheme;

(3) this general mandate to issue Shares will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

(d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with a total number not exceeding 10% of the aggregate number of Shares in issue or to be issued immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (excluding any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme). This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are **[REDACTED]** (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules and all applicable laws. Such mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting;

(ii) the expiration of the period within which the next annual general meeting is required by our Articles or the Companies Act or any other applicable law of the Cayman Islands to be held; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

(e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate number of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (d) above (up to 10% of the aggregate number of the Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]**, excluding any Shares which may fall to be issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme); and

(f) conditional on (1) the Listing Committee of the Stock Exchange granting the **[REDACTED]** of, and **[REDACTED]** in, the new Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme, and (2) the **[REDACTED]** of the Shares on the Main Board of the Stock Exchange, (i) the adoption of the Share Option Scheme was approved and (ii) our Directors were authorised to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme.

2. OUR SUBSIDIARIES

The particulars of our subsidiaries are provided in the Accountants' Report, the text of which is set out in Appendix I in this document.

3. CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure", there has been no other changes in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

4. CORPORATE REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for the **[REDACTED]** of the Shares on the Stock Exchange. Please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in this document for further details.

5. SHARE REPURCHASE MANDATE

This section includes information relating to the repurchase by our Company of the Shares, including information required by the Stock Exchange to be included in this document concerning such repurchase.

A. Relevant Legal and Regulatory Requirements

The Listing Rules permit a company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by our Shareholders on [•], a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be **[REDACTED]** (and which is recognised by the SFC and the Stock Exchange for this purpose) such number of Shares as will represent up to 10% of the number of shares of the share capital of our Company in issue immediately following completion of the **[REDACTED]** and the **[REDACTED]** (excluding any Shares which may be issued pursuant to any exercise of the **[REDACTED]** or the options which may be granted under the Share Option Scheme), such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company, or (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or (iii) such mandate being revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first (the "**Relevant Period**").

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the Companies Act, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, such repurchases by our Company may only be made out of our Company's profits, our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a purchase over the par value of the Shares to be purchased must have been provided for out of either or both of the profits of our Company or our Company's share premium account. If authorised by the Articles and subject to the provisions of the Companies Act, a repurchase of shares may also be made out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase our Directors resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as cancelled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under the Companies Act.

(v) Suspension of Repurchase

Pursuant to the Listing Rules, a listed company may not make any repurchases of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required by the Listing Rules); and (b) the deadline for a listed company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), that is, a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or their close associates, and a core connected person is prohibited from knowingly selling his/her securities to the company on the Stock Exchange.

B. Reasons for Repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have general authority from the Shareholders to enable our Company to execute repurchases of the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

C. Funding of Repurchases

In repurchasing securities, a listed company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this document and taking into account our Company's current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might have a material adverse effect on our Company's working capital and/or our Company's gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing position which in the opinion of our Directors are from time to time appropriate for our Company.

D. General

Exercise in full of the current Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** and assuming the **[REDACTED]** is not exercised, could accordingly result in up to approximately **[REDACTED]** Shares being repurchased by our Company during the Relevant Period.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules) have any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeover Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interests, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the **[REDACTED]** of Shares on the Stock Exchange. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the **[REDACTED]** of the Shares on the Stock Exchange.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agrees to waive the Listing Rules requirements regarding the public shareholding referred to above. A waiver of this provision is not normally granted other than in exceptional circumstances.

No core connected person (as defined in the Listing Rules) of our Company has notified us that he or she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No repurchase of Shares has been made by our Company since its incorporation.

6. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this document and are or may be material:

(1) the Deed of Indemnity;

(2) the Deed of Non-competition; and

(3) the **[REDACTED]**.

B. Our Intellectual Property Rights

As at the Latest Practicable Date, we had registered the following intellectual property rights which are material in relation to our business.

(i) Trademarks

As at the Latest Practicable Date, members of our Group have registered the following trademarks in the PRC, which are material to our business:

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date/renewal date
1		30	Jiangxi Zhengwei	PRC	24265515	13 May 2028
2		31	Jiangxi Zhengwei	PRC	24265772	13 May 2028
3		29	Jiangxi Zhengwei	PRC	24265445	13 May 2028
4		31	Jiangxi Zhengwei	PRC	24265718	13 May 2028
5		5	Jiangxi Zhengwei	PRC	24264516	13 May 2028
6		5	Jiangxi Zhengwei	PRC	12778322	6 January 2025
7		30	Jiangxi Zhengwei	PRC	10819049	20 July 2023

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date/renewal date
8	声耀	29	Jiangxi Zhengwei	PRC	10818927	20 July 2023
9	声耀	30	Jiangxi Zhengwei	PRC	8435218	20 July 2031
10	声耀	29	Jiangxi Zhengwei	PRC	8435191	20 September 2031
11	声耀	29	Jiangxi Zhengwei	PRC	3482705	27 July 2024
12	声耀	42	Jiangxi Zhengwei	PRC	57436131	20 January 2032
13	声耀	38	Jiangxi Zhengwei	PRC	57459620	20 January 2032
14	赣味坊	29	Nanchang Kaixing	PRC	15701522	13 January 2026
15	赣味坊	29	Nanchang Kaixing	PRC	12468470	27 September 2024
16	声耀	9	Jiangxi Zhengwei	PRC	57435497	20 April 2032

As at the Latest Practicable Date, members of our Group have registered the following trademark in Hong Kong, which is material to our business:

Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date/Renewal Date
	29, 30, 31	Our Company	Hong Kong	305246497	14 April 2030

(ii) Domain Name

As at the Latest Practicable Date, our Group had registered the following domain name which is material to our business:

Domain name	Owner	Date of registration	Expiry date
zhengwei100.com	Jiangxi Zhengwei	20 May 2021	20 May 2023

Information contained in the above website does not form part of this document.

(iii) Patents

As at the Latest Practicable Date, members of our Group had registered the following patents which are material to our business:

No.	Patent	Patentee(s)	Registration no.	Place of application	Patent type	Term
1	Pesticide residue detection method based on geometric measurement of light spot (基於光斑幾何量測量的農藥殘留檢測方法)	Jiangxi Zhengwei	ZL201611091979.3	PRC	Invention	1 December 2016 to 30 November 2036
2	A kind of food quality visual detection device and method (一種食品品質可視化檢測裝置和方法) .	Jiangxi Zhengwei	ZL201310479761.5	PRC	Invention	15 October 2013 to 14 October 2033

No.	Patent	Patentee(s)	Registration no.	Place of application	Patent type	Term
3	A kind of method for growing organic lotus seeds (一種有機蓮子的種植方法) .	Jiangxi Zhengwei	ZL202011529493.X	PRC	Invention	22 December 2020 to 21 December 2040
4	A kind of cultivation method of selenium-enriched tea tree mushroom (一種富硒茶樹菇栽培的方法).	Guangchang Zhenglian	ZL201410501834.0	PRC	Invention	27 September 2014 to 26 September 2034
5	A kind of lotus seed core drilling machine (一種蓮子鑽芯機) . .	Guangchang Zhenglian	ZL201310054977.7	PRC	Invention	21 February 2013 to 20 February 2033
6	A kind of portable high pressure steam steriliser for food production (一種食品生產用手提式高壓蒸汽滅菌器). . . .	Guangchang Zhenglian	ZL202121746204.1	PRC	Utility model	29 July 2021 to 28 July 2031
7	A kind of device for the detection of aspergillus flavus (一種用於檢測黃曲霉素的檢測裝置) . .	Guangchang Zhenglian	ZL202121748446.4	PRC	Utility model	29 July 2021 to 28 July 2031
8	A kind of portable, multi-functional food safety testing device (一種便攜式的多功能食品安全檢測設備).	Guangchang Zhenglian	ZL202121748495.8	PRC	Utility model	29 July 2021 to 28 July 2031

No.	Patent	Patentee(s)	Registration no.	Place of application	Patent type	Term
9	A kind of device for quantitative detection of pesticide residues in food (一種食品中農藥殘留定量檢測裝置)	Guangchang Zhenglian	ZL202121746172.5	PRC	Utility model	29 July 2021 to 28 July 2031
10	A kind of efficient sterilisation device for food production (一種用於食品生產的高效殺菌裝置) . .	Guangchang Zhenglian	ZL202123096387.X	PRC	Utility model	10 December 2021 to 9 December 2031
11	A kind of salt analysis device for food testing (一種食品檢測用鹽析裝置). . . .	Jiangxi Zhengwei	ZL202023291582.3	PRC 食品溯源	Utility model	31 December 2020 to 30 December 2030
12	A kind of stirrer for food testing (一種食品檢測用攪拌器) . .	Jiangxi Zhengwei	ZL202023296102.2	PRC	Utility model	31 December 2020 to 30 December 2030
13	A RFID-based Food Traceability System (用於食品溯源的RF ID設備)	Jiangxi Zhengwei	ZL202220315564.4	PRC	Utility model	16 February 2022 to 15 February 2032

(iv) Copyrights

As at the Latest Practicable Date, members of our Group had registered the following copyright which are material to our business:

No.	Copyright owner	Copyright	Certificate number	Copyright completion date	First issue date	Registration number
1.	Jiangxi Zhengwei. . .	Food Safety Traceability Monitoring System V1.0 (食品安全溯源監測系統V1.0)	4980548	3 December 2019	4 December 2019	2020SR0101852
2.	Jiangxi Zhengwei. . .	Full-process Traceability System for Cold Chain of Aquatic Products V1.0 (水產品冷鏈全程溯源系統V1.0)	4980626	2 December 2019	3 December 2019	2020SR0101930
3.	Jiangxi Zhengwei. . .	RFID-based Food Traceability System V1.0 (基於RFID的食品溯源系統V1.0)	4977065	13 November 2019	18 November 2019	2020SR0098369
4.	Jiangxi Zhengwei. . .	Agricultural Product Quality and Safety Traceability System V1.0 (農產品質量安全追溯系統V1.0)	1684253	15 September 2016	23 September 2016	2017SR098969
5.	Jiangxi Zhengwei. . .	Food Heavy Metal Monitoring System V1.0 (食品重金屬監測系統V1.0)	1405468	6 May 2016	9 June 2016	2016SR226851

Save as disclosed above, there are no other trademarks, domain names, patents, copyrights or other intellectual property rights which are material in relation to our business.

7. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

A. Disclosure of Interests

(i) Disclosure of interests and short positions of our Directors and our chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations

Immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]** and options which may be granted under the Share Option Scheme), the interests or short positions of Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are **[REDACTED]** will be as follows:

Long position in our Shares

Name of Director	Capacity/Nature of Interest	Number of Shares held/interested	Approximate percentage of shareholding
			(%)
Mr. Yang	Interest in a controlled corporation	**[REDACTED]**(1)	**[REDACTED]**
	Interest in a controlled corporation	**[REDACTED]**(2)	**[REDACTED]**
	Interest of spouse	**[REDACTED]**(3)	**[REDACTED]**
Ms. Lin	Interest in a controlled corporation	**[REDACTED]**(4)	**[REDACTED]**
	Interest of spouse	**[REDACTED]**(3)	**[REDACTED]**
Mr. Li Hui	Interest in a controlled corporation	**[REDACTED]**(5)	**[REDACTED]**

Notes:

(1) Our Company is held as to **[REDACTED]**% by Shengyao Investment immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon any exercise of the **[REDACTED]** and options which may be granted under the Share Option Scheme). The issued share capital of Shengyao Investment is ultimately wholly-owned by Mr. Yang. Therefore, Mr. Yang is deemed, or taken to be, interested in all the Shares held by Shengyao Investment for the purpose of the SFO.

(2) Our Company is held as to **[REDACTED]**% by Prosperous Season immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon any exercise of the **[REDACTED]** and options which may be granted under the Share Option Scheme). The issued share capital of Prosperous Season is wholly-owned by Nanchang Tongli LP, which is a limited partnership established in the PRC managed and controlled by Mr. Yang as the general partner. Accordingly, Mr. Yang is deemed, or taken to be, interested in all the Shares held by Prosperous Season for the purpose of the SFO.

(3) Mr. Yang and Ms. Lin are spouses. Under the SFO, each of Mr. Yang and Ms. Lin is deemed to be interested in the Shares that the other person is interested in.

(4) Our Company is held as to **[REDACTED]**% by Trendy Peak immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon any exercise of the **[REDACTED]** and options which may be granted under the Share Option Scheme). The issued share capital of Trendy Peak is ultimately wholly-owned by Ms. Lin. Therefore, Ms. Lin is deemed, or taken to be, interested in all the Shares held by Trendy Peak for the purpose of the SFO.

(5) Our Company is held as to **[REDACTED]**% by Best Talent immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon any exercise of the **[REDACTED]** and options which may be granted under the Share Option Scheme). The issued share capital of Best Talent is ultimately wholly-owned as to 57.14%, 23.81% and 19.05% by Mr. Li Hui, Mr. Wu Bangjun and Mr. Luo Zikang, respectively. Therefore, Mr. Li Hui is deemed, or taken to be, interested in all the Shares held by Best Talent for the purpose of the SFO.

(ii) Disclosure of interests under the SFO and disclosure of interests for substantial Shareholders

So far as is known to any Director or chief executive of our Company, immediately following completion of the **[REDACTED]** and the **[REDACTED]** but without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]** and options that may be granted under the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which must be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	**Capacity/Nature of Interest**	**Number of Shares held/Underlying Shares held**	**Approximate percentage of shareholding in our Company**
			(%)
Shengyao Investment	Beneficial owner	**[REDACTED]**(1)	**[REDACTED]**
Trendy Peak	Beneficial owner	**[REDACTED]**(2)	**[REDACTED]**
Nanchang Tongli LP	Interest in a controlled corporation	**[REDACTED]**(3)	**[REDACTED]**
Prosperous Season	Beneficial owner	**[REDACTED]**(3)	**[REDACTED]**
Best Talent	Beneficial owner	**[REDACTED]**(4)	**[REDACTED]**
Changnan Fund	Interest in a controlled corporation	**[REDACTED]**(5)	**[REDACTED]**
Chang Nan Financial	Beneficial owner	**[REDACTED]**(5)	**[REDACTED]**
Pluto Universal	Beneficial owner	**[REDACTED]**(6)	**[REDACTED]**
Mr. Lei	Interest in a controlled corporation	**[REDACTED]**(6)	**[REDACTED]**

Notes:

(1) Shengyao Investment is wholly owned by Mr. Yang. Accordingly, Mr. Yang is deemed, or taken to be, interested in all the Shares held by Shengyao Investment for the purpose of the SFO.

(2) Trendy Peak is wholly-owned by Ms. Lin. Accordingly, Ms. Lin is deemed, or taken to be, interested in all the Shares held by Trendy Peak for the purpose of the SFO.

(3) Prosperous Season is wholly-owned by Nanchang Tongli LP, which is a limited partnership established in the PRC managed and controlled by Mr. Yang as the general partner. Accordingly, Mr. Yang is deemed, or taken to be, interested in all the Shares held by Prosperous Season for the purpose of the SFO.

(4) Best Talent is wholly-owned as to 57.14%, 23.81% and 19.05% by Mr. Li Hui, Mr. Wu Bangjun and Mr. Luo Zikang, respectively. Accordingly, Mr. Li Hui is deemed, or taken to be, interested in all the Shares held by Best Talent for the purpose of the SFO.

(5) Chang Nan Financial is wholly-owned by Changnan Fund, a limited liability company established under the laws of the PRC and is ultimately wholly-owned by Nanchang Science Industry and Information Technology Bureau* (南昌縣科技和工業信息化局).

(6) Pluto Universal is wholly-owned by Mr. Lei. Accordingly, Mr. Lei is deemed, or taken to be, interested in all the Shares held by Pluto Universal for the purpose of the SFO.

B. Particulars of Directors' Service Contract and Appointment Letters

(i) Executive Director

Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from the **[REDACTED]**, which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

(ii) Independent non-executive Directors

Each of our independent non-executive Directors has signed an appointment letter with our Company for an initial fixed term of three years commencing from the **[REDACTED]**, which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

C. Directors' Remuneration

Please refer to the paragraph headed "Directors and Senior Management — Remuneration of Directors and Senior Management" in this document for further information on the Directors' remuneration.

There was no arrangement under which a Director waived or agreed to waive any remuneration for the Track Record Period.

D. Agency Fees or [REDACTED] Received

Save as disclosed in this document, no **[REDACTED]**, discounts, agency fees, **[REDACTED]** or other special terms have been granted to our Directors or the experts named in the paragraph headed "— 9. Other Information — G. Qualifications of Experts" in this appendix in connection with the issue or sale of any of our capital within the two years ended on the date of this document.

E. Related-Party Transactions

During the two years preceding the date of this document, we were not engaged in any related party transactions save as disclosed in note 40 to the Accountants' Report set out in Appendix I to this document.

F. Disclaimers

Save as disclosed in this document and as at the Latest Practicable Date:

(a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities

Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are **[REDACTED]** on the Stock Exchange;

(b) so far as is known to any Director, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the persons listed in the paragraph headed "— 9. Other Information — G. Qualifications of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of our Group taken as a whole;

(e) save in connection with the **[REDACTED]**, none of the persons listed in the paragraph headed "— 9. Other Information — G. Qualifications of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) save for the **[REDACTED]**, none of the persons listed in the paragraph headed "— 9. Other Information — G. Qualifications of Experts" below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(g) none of our Directors or their respective close associates nor, to the knowledge of our Directors, any Shareholders who held more than 5% of the total Shares as at the Latest Practicable Date had any interest in the five largest customers or the five largest suppliers of our Company; and

(h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

8. SHARE OPTION SCHEME

Summary of terms

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of our Shareholders passed on [•] adopted by a resolution of the Board on [•] (the "**Adoption Date**"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(b) Who may join

The Board may, at its absolute discretion, offer options ("**Options**") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("**Executive**"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("**Employee**");

(ii) a director or proposed director (including an independent non-executive director) of any member of our Group;

(iii) a direct or indirect shareholder of any member of our Group; and

(iv) an associate of any of the persons referred to in paragraphs (i) to (iii) above (the person referred above are the "**Eligible Persons**").

(c) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the **[REDACTED]** (such 10% limit representing **[REDACTED]** Shares excluding Shares which may fall to be issued upon the exercise of the **[REDACTED]** granted by our Company) (the "**Scheme Mandate Limit**") provided that:

(i) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(ii) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company should issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(iii) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

(d) Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

(e) Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for **[REDACTED]** the Shares on the Stock Exchange or an integral multiple thereof).

(f) Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(ii) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favour at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favour at such general meeting.

(g) Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

(h) Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

(i) Amount payable for Options and offer

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "**Acceptance Date**"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for **[REDACTED]** Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

(j) Subscription

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(i) the nominal value of a Share;

(ii) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(iii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

(k) Exercise of Option

(i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(iii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.

(iv) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that:

(1) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement

immediately prior to the death or permanently disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;

(2) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(3) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(4) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:

1. the Option period;

2. the period of two months from the date of such notice; or

3. the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.

(5) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(l) Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(m) Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(i) the expiry of the Option period;

(ii) the expiry of any of the period referred to paragraphs related to exercise of the Option;

(iii) subject to the terms of the period mentioned in the paragraph headed "8. Share Option Scheme — (k) Exercise of Option" in this section, the date of the commencement of the winding-up of our Company;

(iv) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option; and

(vi) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(n) Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, right issue, consolidations, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(i) the maximum number of Shares subject to the Share Option Scheme; and/or

(ii) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(iii) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(i) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalisation issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;

(ii) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

(iii) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(iv) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(v) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

(o) Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "**Cancellation Date**"):

(i) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(ii) the grantee makes a written request to the Board for the Option to be cancelled; or

(iii) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

(q) Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(r) Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

(s) Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

(i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(iii) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and

(iv) any alteration to the aforesaid alternation provisions,

provided always that the amended terms of the Share Option Scheme shall comply with the requirements set out in the note to rule 17.03(13) of the Listing Rules and the supplementary guidance being the attachment to FAQ No. 072/2020 released by the Stock Exchange on 6 November 2020 and/or any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(t) Cancellation of options

Our Board may cancel an option granted but not exercised with the approval of the grantee of such option. No options may be granted to an Eligible Participant in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the Limit from time to time.

(u) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or our Board may at any time terminate the Share Option Scheme and in such event no further options shall be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Administration of the Share Option Scheme

The Share Option Scheme shall be administered by our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee granting **[REDACTED]** of and permission to **[REDACTED]** the Shares which fall to be issued pursuant to the exercise of any such options which may be granted under the Share Option Scheme;

(ii) the pass of the resolutions by the Shareholders to approve and adopt the Share Option Scheme and to authorise the Board to grant options under the Share Option Scheme and to allot and issue Shares pursuant to the exercise of any options; and

(iii) the commencement of **[REDACTED]** in our Shares on the Stock Exchange.

(x) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for **[REDACTED]** of and permission to **[REDACTED]** the Shares which fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

9. OTHER INFORMATION

A. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

B. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees payable by us in respect of the Sole Sponsor's services as sponsor for the **[REDACTED]** is approximately HK$**[REDACTED]**.

The Sole Sponsor has made an application on behalf of our Company to the **[REDACTED]** Committee for the **[REDACTED]** of, and permission to **[REDACTED]**, the Shares in issue and to be issued pursuant to the **[REDACTED]** (including the additional Shares which may be issued pursuant to the exercise of the **[REDACTED]** and the options which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into **[REDACTED]**.

C. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2021 (being the date to which the latest audited combined financial statements of our Group were prepared).

D. Deed of Indemnity

Pursuant to the Deed of Indemnity given by each of our Controlling Shareholders in favour of our Company (and its subsidiaries) and conditional on the **[REDACTED]**, our Controlling Shareholders have agreed and undertaken to jointly and severally agree, covenant and undertake with each of the member of our Group that he/she/it will indemnify each of the members of our Group against taxation falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, acts, omissions, matters or things earned, accrued or received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date of the **[REDACTED]**.

However, the indemnities given by our Controlling Shareholders under the Deed of Indemnity do not cover, and our Controlling Shareholders shall be under no liability in respect of, any liability on taxation and taxation claim:

(a) to the extent that provision has been made in the audited combined accounts of our Group or the audited accounts of any of the members of our Group for an accounting period ended on or before 31 December 2021; or

(b) falling on any members of our Group in respect of any accounting period commencing on or after 31 December 2021 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, our Controlling Shareholders or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the **[REDACTED]**; or

(c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practise thereof by any statutory or governmental authority (in Hong Kong, the PRC or elsewhere), including without limitation the Inland Revenue Department and the tax bureau of the PRC, having retrospective effect coming into force after the **[REDACTED]** or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the **[REDACTED]** with retrospective effect; or

(d) to the extent that such liability is discharged by another person who is not a member of our Group and that none of the member of our Group is required to reimburse such person in respect of the discharge of such liability; or

(e) to the extent of any provision or reserve made for such liability in the audited accounts referred to in Clause (a) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries.

E. Taxation of Holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.26% of the consideration or, if higher, the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the **[REDACTED]** can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

F. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

  (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

  (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

  (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

  (iv) no commission has been paid or payable (except commissions to the **[REDACTED]**) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of any member of our Group;

  (v) no founders, management or deferred shares of our Company or any of its subsidiaries has been issued or agreed to be issued;

(b) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(c) our Company has no outstanding convertible debt securities or debentures;

(d) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document;

(e) there is no arrangement under which future dividends are waived or agreed to be waived; and

(f) no company within our Group is presently listed on any stock exchange or traded on any trading system.

G. Qualifications of Experts

The following are the qualifications of experts who have opined or advised on information contained in this document:

Name	Qualification
Grand Moore Capital Limited	Licensed corporation under the SFO permitted to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Allbright Law Offices (Fuzhou)	PRC Legal Advisers
BDO Limited	Certified public accountants
Appleby	Legal advisers to our Company as to Cayman Islands laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

H. Consents of Experts

Each of the experts stated in the paragraph headed "— 9. Other Information — G. Qualifications of Experts" in this appendix has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears. None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

I. Promoter

Our Company has no promoter for purposes of the Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document.

J. Preliminary Expenses

The preliminary expenses incurred by our Company in respect of our incorporation were US$3,900 and were paid by our Company.

K. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of binding all persons concerned by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

L. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **[REDACTED]**;

(b) a copy of each of the material contracts referred to in the paragraph headed "Statutory and General Information — 6. Further Information about our Business — A. Summary of Material Contracts" in Appendix IV to this document; and

(c) the written consents referred to in the paragraph headed "Statutory and General Information — 9. Other Information — H. Consents of Experts" in Appendix IV to this document.

2. DOCUMENTS ON DISPLAY

Copies of the following documents will be will be on display on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.zhengwei100.com** during a period of 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the Accountants' Report of our Group prepared by the Reporting Accountants, the text of which can be found in Appendix I to this document;

(c) the audited combined financial statements of our Group for the years ended 31 December 2019, 2020 and 2021;

(d) the report from the Reporting Accountants relating to our unaudited **[REDACTED]** financial information, the text of which is set out in Appendix II to this document;

(e) the PRC legal opinions issued by Allbright Law Offices (Fuzhou), our PRC Legal Advisers, in respect of certain aspects of our Group and our property interests in the PRC;

(f) the letter of advice prepared by Appleby, our legal adviser as to the laws of the Cayman Islands, summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this document;

(g) the Frost & Sullivan Report;

(h) the Share Option Scheme;

(i) the material contracts referred to in the paragraph headed "Statutory and General Information — 6. Further Information about our Business — A. Summary of Material Contracts" in Appendix IV to this document;

(j) the written consents referred to in the paragraph headed "Statutory and General Information — 9. Other Information — H. Consents of Experts" in Appendix IV to this document;

(k) the service contracts and letters of appointment referred to in the paragraph headed "Statutory and General Information — 7. Further Information about our Directors and Substantial Shareholders — B. Particulars of Directors' Service Contract and Appointment Letters" in Appendix IV to this document; and

(l) the Companies Act.