Post Hearing Information Pack 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)

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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 0.00565% and AFRC 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**
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SUMMARY

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

We mainly produce, and to a lesser extent trade, dried food products and snacks in Jiangxi Province, and to a lesser extent, Sichuan Province and Hubei Province. Established in 2002, we first developed our business from producing dried food products. Leveraging our experience and established brand name in dried food products production, we first expanded our business into snack production and introduced fragrant lotus seeds in early 2019. In view of the expected growth of the vegetable and meat snack market, we further launched our vegetable snacks in August 2019 and then our meat snacks in January 2021. According to Frost & Sullivan Report, we were ranked fifth with market share of approximately 0.4% of the snack food market in Jiangxi Province, in terms of revenue in 2021. The market size of Jiangxi Province's snack food industry accounted for approximately 1.7% of China's snack food industry in 2021.

OUR BUSINESS MODEL

We produce and sell a variety of (i) snacks (including vegetable snacks and 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 and by brands during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Manufacturing										
Shengyao (聲耀)	205,826	69.2	208,308	73.6	221,060	64.6	88,339	60.7	132,601	79.4
Gangweifang (贛味坊)	17,609	5.9	20,641	7.3	29,292	8.6	15,467	10.6	12,236	7.3
Subtotal	223,435	75.1	228,949	80.9	250,352	73.2	103,806	71.3	144,837	86.7
Trading	73,963	24.9	53,940	19.1	91,646	26.8	41,789	28.7	22,119	13.3
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

Our revenue generated from Shengyao brand products increased (i) from FY2019 to FY2020 mainly due to our introduction of vegetable snacks and increase in sales of dried cuttlefish to Customer B; (ii) from FY2020 to FY2021 mainly due to our introduction of meat snacks, which was partially offset by the decrease in revenue from nuts, seeds and candied fruits as we ceased to produce and sell fragrant lotus seeds; and (iii) from 6M2021 to 6M2022 mainly due to increased sales of our vegetable and meat snacks. For details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (a) Revenue by business models and by brands — Shengyao" in this document.

The revenue generated from our trading business (i) decreased from FY2019 to FY2020 mainly due to the decrease in sales of dried delicacies and dried aquatic products in loose package or without brands which are less convenient to be delivered and stored at home during lockdown period; (ii) increased from FY2020 to FY2021 due to increase in sales of dried delicacies and dried aquatic products in line with increased customer traffic in supermarkets; and (ii) decreased from 6M2021 to 6M2022 due to our business strategy to prioritise promotion and sales of our own-branded products. For details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (a) Revenue by business models and by brands — Trading" in this document.

The following table sets forth the breakdown of our revenue categorised by business models and by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Manufacturing										
Snacks	116,752	39.3	119,495	42.2	141,973	41.5	54,883	37.7	73,990	44.3
Dried delicacies	68,370	23.0	57,494	20.3	49,544	14.5	25,179	17.3	31,963	19.1
Dried aquatic products	15,903	5.3	44,457	15.7	46,522	13.6	17,270	11.9	29,299	17.5
Grains	19,656	6.6	5,335	1.9	10,284	3.0	5,679	3.9	8,096	4.9
Seasonings and others	2,754	0.9	2,168	0.8	2,029	0.6	795	0.5	1,489	0.9
Subtotal	223,435	75.1	228,949	80.9	250,352	73.2	103,806	71.3	144,837	86.7
Trading										
Snacks	11,667	3.9	17,931	6.3	29,086	8.5	18,850	13.0	3,477	2.1
Dried delicacies	18,430	6.2	12,960	4.6	37,866	11.1	12,196	8.4	18,508	11.1
Dried aquatic products	30,813	10.4	8,508	3.0	12,480	3.7	5,441	3.7	N/A	0.0
Grains	9,135	3.1	12,564	4.5	11,075	3.2	4,822	3.3	92	0.1
Seasonings and others	3,918	1.3	1,977	0.7	1,139	0.3	480	0.3	42	0.0
Subtotal	73,963	24.9	53,940	19.1	91,646	26.8	41,789	28.7	22,119	13.3
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

The revenue generated from our snacks under the manufacturing business increased (i) from FY2019 to FY2020 due to our introduction of vegetable snacks; (ii) from FY2020 to FY2021 mainly due to our introduction of meat snacks, which was partially offset by the decrease in revenue from nuts, seeds and candied fruits as we ceased to produce and sell fragrant lotus seeds; and (iii) from 6M2021 to 6M2022 mainly due to increased sales of our vegetable and meat snacks. For details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (b) Revenue by product lines — Snacks" in this document.

The revenue generated from our dried aquatic products under the manufacturing business increased from FY2019 to FY2020 primarily due to the increase in sales of dried cuttlefish to Customer B. For details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (a) Revenue by business models and by brands — Shengyao" in this document.

OUR BRANDS

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 vegetable and meat snack products, our "Gangweifang (贛味坊)" brand is generally used for our dried candied fruits and nuts products.

OUR PRODUCTS

We offer a large and evolving range of diverse product portfolio covering five types of products including (i) snacks; (ii) dried delicacies; (iii) dried aquatic products; (iv) grains; and (v) seasonings and others. As at 30 June 2022 and the Latest Practicable Date, our product portfolio included 564 and 583 types of snacks, and 625 and 630 types of dried food products, respectively.

The following table sets forth the breakdown of our revenue categorised by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Snacks	128,419	43.2	137,426	48.6	171,059	50.0	73,733	50.6	77,467	46.4
Dried delicacies	86,800	29.2	70,454	24.9	87,410	25.6	37,375	25.7	50,471	30.2
Dried aquatic products	46,716	15.7	52,965	18.7	59,002	17.3	22,712	15.6	29,299	17.6
Grains	28,791	9.7	17,899	6.3	21,358	6.2	10,501	7.2	8,188	4.9
Seasonings and others	6,672	2.2	4,145	1.5	3,169	0.9	1,274	0.9	1,531	0.9
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

The revenue generated from our snacks increased during the Track Record Period primarily due to the increase in revenue of our own-branded snacks. Please refer to the discussion in the paragraph headed "Our Business Model" in this section.

The following table sets forth the breakdown of our revenue from snacks categorised by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*% to total revenue*	*RMB'000*	*% to total revenue*	*RMB'000*	*% to total revenue*	*RMB'000 (unaudited)*	*% to total revenue*	*RMB'000*	*% to total revenue*
Own brands										
Vegetable	10,938	3.7	54,838	19.4	50,781	14.9	18,861	13.0	21,456	12.9
Meat	-	N/A	-	N/A	60,668	17.7	19,862	13.6	38,481	23.0
Nuts, seeds and candied fruits	105,814	35.6	64,657	22.9	30,524	8.9	16,160	11.1	14,053	8.4
Subtotal	116,752	39.3	119,495	42.3	141,973	41.5	54,883	37.7	73,990	44.3
Other brands	11,667	3.9	17,931	6.3	29,086	8.5	18,850	12.9	3,477	2.1
Total	128,419	43.2	137,426	48.6	171,059	50.0	73,733	50.6	77,467	46.4

Our revenue from nuts, seeds and candied fruits decreased significantly in FY2021, which was mainly due to the decrease in sale of fragrant lotus seeds as we decided to cease to produce and sell such products in anticipation of increasing cost of lotus seeds and declining market demand based on the decreasing sales of such products in FY2020 as compared to FY2019.

The following table sets forth the breakdown of our gross profit and gross profit margin categorised by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000 (unaudited)*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*
Snacks	32,757	25.5	43,551	31.7	59,189	34.6	21,973	29.8	26,887	34.7
Dried delicacies	32,492	37.4	22,055	31.3	25,578	29.3	11,438	30.6	15,360	30.4
Dried aquatic products	17,390	37.2	16,499	31.2	16,259	27.6	5,776	25.4	8,386	28.6
Grains	11,509	40.0	7,114	39.7	6,416	30.0	2,837	27.0	2,772	33.9
Seasonings and others	2,103	31.5	1,369	33.0	1,038	32.8	401	31.5	564	36.9
Total	96,251	32.4	90,588	32.0	108,480	31.7	42,425	29.1	53,969	32.3

The following table sets forth the breakdown of our gross profit and gross profit margin categorised by business models and by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000 (unaudited)*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*
Manufacturing										
Snacks	28,886	24.7	37,946	31.8	51,555	36.3	17,443	31.8	25,909	35.0
Dried delicacies	27,618	40.4	19,515	33.9	15,755	31.8	7,942	31.5	10,399	32.5
Dried aquatic products	5,477	34.4	13,215	29.7	13,203	28.4	4,418	25.6	8,386	28.6
Grains	7,703	39.2	2,379	44.6	2,879	28.0	1,331	23.4	2,769	34.2
Seasonings and others	1,013	36.8	909	41.9	730	36.0	274	34.4	556	37.4
Subtotal	70,697	31.6	73,964	32.3	84,122	33.6	31,408	30.3	48,019	33.2
Trading										
Snacks	3,871	33.2	5,605	31.3	7,634	26.2	4,530	24.0	978	28.1
Dried delicacies	4,874	26.4	2,540	19.6	9,823	25.9	3,496	28.7	4,961	26.8
Dried aquatic products	11,913	38.7	3,284	38.6	3,056	24.5	1,358	25.0	—	N/A
Grains	3,806	41.7	4,735	37.7	3,537	31.9	1,506	31.2	3	3.1
Seasonings and others	1,090	27.8	460	23.3	308	27.0	127	26.7	8	19.3
Subtotal	25,554	34.5	16,624	30.8	24,358	26.6	11,017	26.4	5,950	26.9
Total	96,251	32.4	90,588	32.0	108,480	31.7	42,425	29.1	53,969	32.3

Snacks

The following table sets forth the breakdown of the gross profit and gross profit margin of our snacks categorised by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000 (unaudited)*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*
Own brands										
Vegetable	3,125	28.6	19,684	35.9	16,020	31.5	6,129	32.5	8,606	40.1
Meat	—	N/A	—	N/A	29,078	47.9	8,573	43.2	13,254	34.4
Nuts, seeds and candied fruits	25,761	24.3	18,262	28.2	6,457	21.2	2,741	17.0	4,049	28.8
Subtotal	28,886	24.7	37,946	31.8	51,555	36.3	17,443	31.8	25,909	35.0
Other brands	3,871	33.2	5,605	31.3	7,634	26.2	4,530	24.0	978	28.1
Total	32,757	25.5	43,551	31.7	59,189	34.6	21,973	29.8	26,887	34.7

Our gross profit margin for snacks continuously increased from approximately 25.5% in FY2019 to approximately 34.7% in 6M2022. The overall improvement in gross profit margin of snacks was generally in line with the fluctuations of gross profit margin of our own-branded snacks, which accounted for approximately 88.2%, 87.1%, 87.1% and 96.4% of our gross profit of snacks for FY2019, FY2020, FY2021 and 6M2022, respectively.

The overall gross profit margin of our own-branded snacks generally increased during the Track Record Period primarily due to introduction of new products of higher gross profit margin. For fluctuation of the gross profit margin of our vegetable snacks, meat snacks and nuts, seeds and candied fruits, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin — (c) Gross profit and gross profit margin — by own-branded snacks".

Our gross profit margin for dried delicacies and dried aquatic products generally decreased from FY2019 to FY2021 due to the increase in costs of certain raw materials resulting from increased transportation costs and tightened supply, and our gross profit margin gradually improved in 6M2022. While the gross profit margin of our grains remained stable for FY2019 and FY2020, it fluctuated in FY2021 and 6M2022 mainly due to cost fluctuation of green beans. Our gross profit margin of seasonings and others during the Track Record Period generally fluctuated according to the costs of our sugar products.

For details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin — (a) Gross profit and gross profit margin — by product lines" in this document.

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 30 June 2022. The table below sets forth an analysis of our revenue by delivery destinations during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Jiangxi Province	191,407	64.4	166,996	59.0	184,791	54.0	78,897	54.2	85,575	51.3
Hubei Province	32,341	10.9	74,884	26.5	32,434	9.5	15,725	10.8	8,204	4.9
Zhejiang Province	13,649	4.6	6,998	2.5	12,822	3.7	7,603	5.2	14,036	8.4
Sichuan Province (including Chongqing)	28	0.0	8,143	2.9	74,071	21.7	25,309	17.4	39,430	23.6
Hunan Province	31,542	10.6	11,922	4.2	12,150	3.6	6,291	4.3	9,041	5.4
Fujian Province	7,516	2.5	5,815	2.1	10,709	3.1	5,518	3.8	4,620	2.8
Shaanxi Province	5,128	1.7	3,629	1.3	4,324	1.3	1,922	1.3	1,375	0.8
Anhui Province	1,277	0.4	463	0.2	1,024	0.3	355	0.2	411	0.2
Shandong Province	—	—	130	0.0	1,119	0.3	400	0.3	663	0.4
Guangdong Province	1	0.0	86	0.0	1,699	0.5	444	0.3	1,094	0.7
Jiangsu Province	3,825	1.3	2,172	0.8	341	0.1	253	0.2	121	0.1
Other provinces, autonomous regions and municipalities *(Note)*	10,684	3.6	1,651	0.5	6,514	1.9	2,878	2.0	2,386	1.4
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

Note: Other provinces, autonomous regions and municipalities comprise Hebei Province, Inner Mongolia Autonomous Region, Shanxi Province, Liaoning Province, Henan Province, Ningxia Hui Autonomous Region, 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.

Fluctuation of our revenue by delivery destinations during the Track Record Period was mainly driven by the change of delivery destinations in accordance to instructions of our supermarket customers based on, to the best knowledge of our Directors, their procurement strategies, sales performance of particular outlets, supply chain and logistics arrangement in particular province and at particular point of time as well as their product promotion plans and sales events. For further details, please refer to the paragraph headed "Business — Sales Network — Geographical presence" in this document.

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

	FY2019		FY2020		FY2021		6M2021		6M2022	
	Sales volume	Average selling price per kg	Sales volume	Average selling price per kg	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)*	*(tonne)*	*(RMB)*	*(tonne)*	*(RMB)*
Snacks	2,308	55.6	3,369	40.8	4,046	42.3	1,796	41.1	1,948	39.8
Dried delicacies	1,281	67.8	1,127	62.5	1,098	79.6	469	79.7	603	83.8
Dried aquatic products	392	119.2	379	139.7	426	138.5	186	122.1	210	139.5
Grains	3,510	8.2	1,546	11.6	1,754	12.2	891	11.8	646	12.7
Seasonings and others	514	13.0	343	12.1	314	10.1	125	10.2	146	10.5
Total	8,005	N/A	6,764	N/A	7,638	N/A	3,467	N/A	3,553	N/A

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 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 or period indicated:

Production facilities	Production Lines	Key Products	Revenue lines by products	FY2019			FY2020			FY2021			6M2021			6M2022		
				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)]	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)*	%	*(tonnes)*	*(tonnes)*	%	*(tonnes)*	*(tonnes)*	%
Guangchang Plant	Vegetable snack production line	Fragrant lotus seeds[(3)] and vegetable snacks	Own-branded vegetable snacks and nuts (i.e. fragrant lotus seeds only)	1,553[(3)]	1,589[(3)]	102.3[(3)]	1,671[(3)]	2,469[(3)]	147.8[(3)]	1,789[(3)]	1,629[(3)]	91.1[(3)]	894[(3)]	895[(3)]	100.1[(3)]	894[(3)]	659[(3)]	73.7[(3)]
	Meat snack production line	Meat snacks	Own-branded meat snacks	N/A[(4)]	N/A[(4)]	N/A[(4)]	N/A[(4)]	N/A[(4)]	N/A[(4)]	1,711	1,555	90.9	707	753	106.5	1,050	816	77.7
	Subtotal			1,553	1,589	102.3	1,671	2,469	147.8	3,500	3,184	91.0	1,601	1,648	102.9	1,944	1,475	75.9
Nanchang Plant.	Dried food product production line	Dried delicacies, dried aquatic products, grains, nuts (other than fragrant lotus seeds) and sugar products	Own-branded dried delicacies, dried aquatic products, grains, nuts (other than fragrant lotus seeds) and seasoning and other products	4,420	5,423	122.7	4,420	3,517	79.6	4,420	4,174	94.4	2,210	2,220	100.5	2,210	1,535	69.5

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) In FY2019 and FY2020, 1,345 tonnes and 548 tonnes of fragrant lotus seeds were included in the calculation of actual production volume and utilisation rate of our vegetable snack production line. Since FY2021, we ceased to produce fragrant lotus seeds in anticipation of increasing cost of lotus seeds and declining market demand based on the decreasing sales of such products in FY2020 as compared to FY2019.

(4) Our production line for meat snacks only commenced operation in January 2021.

(5) In 9M2022, the utilisation rate of our production lines in Guangchang Plant and Nanchang Plant was 86.5% and 68.7%, respectively. For our Guangchang Plant, our vegetable snack production line and meat snack production line recorded utilisation rate of 86.9% and 86.2%, respectively.

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 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		6M2021		6M2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (*unaudited*)	%	*RMB'000*	%
Retailers										
Supermarkets	208,097	70.0	196,040	69.3	230,751	67.5	92,531	63.6	96,903	58.0
Grocery stores	1,588	0.5	1,935	0.7	6,604	1.9	2,537	1.7	4,134	2.5
Subtotal	209,685	70.5	197,975	70.0	237,355	69.4	95,068	65.3	101,037	60.5
Corporate customers	57,215	19.2	42,251	14.9	51,261	15.0	22,376	15.4	34,964	21.0
Concessionary counters	29,198	9.8	38,697	13.7	50,559	14.8	25,865	17.8	30,918	18.5
E-commerce	841	0.3	3,944	1.4	2,728	0.8	2,190	1.5	37	0.0
Others *(Note)*	459	0.2	22	0.0	95	0.0	96	0.0	—	N/A
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	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.

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

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000 (unaudited)*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*
Retailers										
Supermarkets	62,569	30.1	56,819	29.0	72,990	31.6	26,858	29.0	31,206	32.2
Grocery stores	804	50.6	913	47.2	1,393	21.1	241	9.5	1,210	29.3
Subtotal	63,373	30.2	57,732	29.2	74,383	31.3	27,099	28.5	32,416	32.1
Corporate customers	19,390	33.9	14,763	34.9	14,662	28.6	5,574	24.9	9,663	27.6
Concessionary counters	13,190	45.2	16,697	43.1	18,599	36.8	9,076	35.1	11,861	38.4
E-commerce	147	17.5	1,394	35.3	811	29.7	650	29.7	29	77.9
Others *(Note)*	151	32.9	2	9.1	25	26.3	26	27.4	—	N/A
Total	96,251	32.4	90,588	32.0	108,480	31.7	42,425	29.1	53,969	32.3

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.

During the Track Record Period, the fluctuation of our gross profit margin for different sales channels in a particular financial year/period primarily depended on the mix of products sold in the particular sales channels. For discussion of our gross profit margin by product lines, please refer to our discussion in this section above and the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin — (a) Gross profit and gross profit margin — by product lines" in this document.

For our sales made to grocery stores and corporate customers, apart from the effect of change in the mix of products sold, our marketing strategy to offer competitive prices to such customers to promote our products, particularly new meat snack products, also contributed to the decrease of our gross profit margin for FY2021 as compared to FY2020. Our Directors consider that, by offering competitive prices to our grocery stores and corporate customers, we will be able to expand our product presence through grocery stores to areas outside Jiangxi Province as well as raise awareness of our products by leveraging our corporate customers' networks.

For details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin — (d) Gross profit and gross profit margin — by sales channels" in this document.

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, FY2021 and 6M2022, sales to our five largest customers in each year/period for the Track Record Period amounted to approximately RMB208.0 million, RMB207.0 million, RMB230.4 million and RMB108.2 million, representing approximately 70.0%, 73.2%, 67.4% and 64.8% of our revenue, respectively. For the same periods, sales to our largest customer in each year/period for the Track Record Period amounted to approximately RMB108.1 million, RMB108.8 million, RMB128.3 million and RMB57.3 million, representing approximately 36.4%, 38.4%, 37.6% and 34.3% of our revenue, respectively. Please refer to the paragraph headed "Business — Customers" in this document for details.

Seasonality

Our sales are subject to seasonality fluctuations. We generally experience higher sales for products such as dried delicacies and dried aquatic products during or ahead of holiday seasons, such as the Golden Week and the Chinese New Year. Historically, we generally experienced higher sales of our products in the fourth quarter of our financial year.

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. For FY2019, FY2020, FY2021 and 6M2022, the aggregate total purchases from our five largest suppliers in each year/period for the Track Record Period amounted to approximately RMB53.2 million, RMB74.6 million, RMB90.1 million and RMB50.9 million, representing approximately 28.9%, 34.8%, 39.9% and 52.0% of the total purchases, respectively. For the same periods, the total purchases made by us to our largest supplier amounted to approximately RMB12.7 million, RMB22.3 million, RMB29.9 million and RMB18.7 million, representing approximately 6.9%, 10.4%, 13.3% and 19.1% of the total purchases, 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 dried food production 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 consolidated 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 Consolidated Statements of Profit or Loss and Other Comprehensive Income

	FY2019	FY2020	FY2021	6M2021	6M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	297,398	282,889	341,998	145,595	166,956
Cost of sales	(201,147)	(192,301)	(233,518)	(103,170)	(112,987)
Gross profit	96,251	90,588	108,480	42,425	53,969
Profit before income tax expense	48,262	47,313	57,844	19,263	22,722
Profit for the year/period	40,945	40,939	48,292	16,761	20,869

Our net profit (i.e. profit for the year/period) remained relatively stable for FY2019 and FY2020 and experienced an increase in FY2021 as well as a period-to-period increase for 6M2022. Such increase was mainly attributable to the increase in revenue and gross profit contributed by the introduction of our meat snack series. For further details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this document.

During FY2019, FY2020, FY2021 and 6M2022, we received government grants and subsidies of approximately RMB4.1 million, RMB4.6 million, RMB3.7 million and RMB0.1 million, respectively. These government grants were non-recurring in nature. Please refer to Note 7 to the Accountants' Report as set out in Appendix I to this document for further details.

Selected Items of Consolidated Statements of Cash Flows

	FY2019	FY2020	FY2021	6M2021	6M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash generated from/(used in) operating activities	10,588	86,559	27,072	(32,159)	48,725
Net cash used in investing activities	(2,629)	(3,105)	(7,187)	(5,042)	(2,059)
Net cash generated from/(used in) financing activities	32,507	17,748	(34,902)	(28,706)	(35,792)
Net increase/(decrease) in cash and cash equivalents	40,466	101,202	(15,017)	(65,907)	10,874
Cash and cash equivalents at the beginning of the year/period	670	41,136	142,338	142,338	127,321
Cash and cash equivalents at the end of the year/period	41,136	142,338	127,321	76,431	138,195

We recorded net operating cash outflows for 6M2021 primarily because (i) we made more purchase of raw materials in 6M2021 than we did in 6M2022; and (ii) as compared to 6M2022, we settled more payments to our suppliers in 6M2021 whereas our purchases made in June 2022 accounted for the largest portion of purchases for 6M2022, but settlements were only required in the second half of 2022. For further details, please refer to the paragraph headed "Financial Information — Liquidity and Capital Resources — Cash flows" in this document.

Selected Items of Consolidated Statements of Financial Position

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total current assets	216,713	309,780	313,404	318,731
Total current liabilities	128,210	169,730	150,100	135,662
Net current assets	88,503	140,050	163,304	183,069
Total non-current assets	48,220	46,619	51,958	52,122
Total non-current liabilities	27,614	23,537	3,626	2,627
Net assets	109,109	163,132	211,636	232,564

Our net current assets increased from approximately RMB88.5 million as at 31 December 2019 to approximately RMB140.1 million as at 31 December 2020, which was primarily attributable to an increase in cash and cash equivalents of approximately RMB101.2 million as a result of working capital improvement due to the (i) decrease in trade receivables of approximately RMB21.9 million; (ii) decrease in prepayment, deposits and other receivables of approximately RMB22.1 million; and (iii) increase in trade payables of approximately RMB27.6 million. Our net current assets further increased to approximately RMB163.3 million as at 31 December 2021, primarily attributable to (i) a decrease in current borrowings of RMB11.6 million; and (ii) increase in inventories of approximately RMB8.2 million mainly caused by the stocking of raw materials and finished goods in advance to prepare for our future sales. Our net current assets further increased to approximately RMB183.1 million as at 30 June 2022, which was primarily attributable to a decrease in current borrowings of approximately RMB32.0 million.

Our net assets increased from approximately RMB109.1 million as at 31 December 2019 to approximately RMB163.1 million as at 31 December 2020, which was primarily attributable to total comprehensive income for the year of approximately RMB40.5 million and capital contribution from beneficial shareholders to a subsidiary of approximately RMB13.2 million. Our net assets increased to approximately RMB211.6 million as at 31 December 2021, which was primarily attributable to total comprehensive income for the year of approximately RMB48.5 million. Our net assets further increased to approximately RMB232.6 million as at 30 June 2022, which was primarily attributable to total comprehensive income for the period of approximately RMB20.9 million. For details, please refer to "Consolidated Statements of Changes in Equity" in the Accountants' Report in Appendix I to this document.

For further details on other items, please refer to the paragraph headed "Financial Information — Selected Items of Consolidated 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/period ended			
	31 December			30 June
	2019	2020	2021	2022
Current ratio	1.7 times	1.8 times	2.1 times	2.3 times
Quick ratio	1.2 times	1.2 times	1.4 times	1.6 times
Gearing ratio	97.9%	73.9%	42.9%	24.8%
Net debt-to-equity ratio	60.2%	N/A	N/A	N/A
Interest coverage ratio	7.4 times	7.1 times	10.4 times	13.5 times
Return on total assets	15.5%	11.5%	13.2%	N/A
Return on equity	37.5%	25.1%	22.8%	N/A
Net profit margin	13.8%	14.5%	14.1%	12.5%

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 Share Option Scheme), 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, Prosperous Season and Nanchang Tongli LP constitute a group of 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. As Mr. Lei is the director of Jiangxi Zhengwei and thus a core connected person of the Company under Rule 8.24 of the Listing Rules, the Shares held by Mr. Lei (through Pluto Universal) will not be regarded as part of the **[REDACTED]** for the purpose of Rule 8.08(1) of the Listing Rules. The Shares held by Mr. Su (through Vantage Link) will be counted as part of the **[REDACTED]** for the purpose of Rule 8.08(1) of the Listing Rules. For further details of the identity and background of the **[REDACTED]** and the principal terms of the **[REDACTED]**, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — **[REDACTED]**" 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) 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; (ii) we may face product liability claims related to our raw materials and our products, but we do not maintain any product liability insurance; (iii) 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; (iv) we are susceptible to fluctuations in raw materials prices; (v) if our customers fail to receive their products as scheduled, our sales and reputation may be materially and adversely affected; and (vi) dried food and snack production in the PRC are highly competitive, and our efforts in developing, launching and promoting new products may not be successful. 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$**[REDACTED]** per **[REDACTED]**, being the **[REDACTED]** of the indicative **[REDACTED]** range, and assuming that the **[REDACTED]** is not exercised) for the **[REDACTED]** are approximately RMB**[REDACTED]** (approximately HK$**[REDACTED]**), 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]** (approximately HK$**[REDACTED]**); and (ii) others fees and expenses, including sponsor fees, of approximately RMB**[REDACTED]** (approximately HK$**[REDACTED]**). The estimated total **[REDACTED]** consist of **[REDACTED]** expenses of approximately RMB**[REDACTED]** (approximately HK$**[REDACTED]**), and non-**[REDACTED]** of approximately RMB**[REDACTED]** (approximately HK$**[REDACTED]**). During the Track Record Period, we incurred **[REDACTED]** of approximately RMB**[REDACTED]**, which have been charged to our consolidated 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 consolidated 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]**.

[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$**[REDACTED]**	HK$**[REDACTED]**
[REDACTED] per Share *(Note 2)*	HK$**[REDACTED]**	HK$**[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. Please refer to Appendix II to this document for the bases and assumptions in calculating this figure. The **[REDACTED]** per Share takes no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]**, or any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this document.

[REDACTED]

We estimate the **[REDACTED]** from the **[REDACTED]** which we will receive, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the **[REDACTED]** of the **[REDACTED]** range stated in this document), will be approximately HK$**[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 HK$**[REDACTED]** (equivalent to 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 vegetable snack products and 2,000 tonnes of meat snack products;

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

- approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), 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

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 — Litigation and Non-compliance" and "Business — Risk Management and Internal Control" in this document.

Save as disclosed in the paragraph headed "Business — Litigation and 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 suspended production for 13 days in February 2020 and three days in April 2022, and our Guangchang Plant suspended production for 15 days 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 Consolidated 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 Consolidated 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 believe that the resurgence of COVID-19 since 1 January 2022 and up to the Latest Practicable Date did not and is not expected to result in a material disruption to our business operations or have any material impact on our business operations and financial performance, considering that (i) the governmental authorities have put into significant resources and efforts to contain the regional COVID-19 outbreaks; (ii) our production plants were not ordered for prolonged suspension save as the temporary suspension for approximately two to three weeks as mentioned above up to the Latest Practicable Date; (iii) we have only experienced slight decrease in revenue in FY2020 in the peak of the outbreak and our sales performance and revenue had gradually improved with the introduction of our meat snack series in FY2021; (iv) although we experienced increase in costs of certain raw materials due to tightened supply or increased transportation costs in FY2020, the costs of those raw materials had either come down or slowed down in cost growth, and our overall gross profit margin was maintained at similar levels around 32% during the pandemic in FY2020; and (v) we have stable business relationship with our supermarket customers with supermarket stores in various provinces which we believe would enable our Group to flexibly adjust our sales and delivery of products across different provinces, if necessary, and therefore we would be able to maintain an overall stable sales to our supermarket customers.

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

Our Financial Performance

Based on our unaudited management accounts, we recorded an increase in revenue for 10M2022 as compared to 10M2021, primarily due to (i) increase in sales of our snack products, particularly our meat snack series; and (ii) increase in sales of our dried delicacies to Customer

Group A as it had chosen our dried delicacies as one of their promotional products before and during the holiday seasons of National Day and Mid-Autumn Festival. Our overall gross profit margin also increased for 10M2022, which was primarily attributable to (i) the decreased costs for raw materials such as enoki mushrooms and dried whitebait; and (ii) the increase in average selling prices of certain products, for example, dried cuttlefish. We expect our net profit for FY2022 will decrease primarily due to the **[REDACTED]** incurred or expected to be incurred. For details, please refer to the paragraph headed "**[REDACTED]**" in this section.

Our Business Operation

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on manufacturing and trading of 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 vegetable and meat snack products, including new snack products to be launched, from us. Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to develop new customers or seek to make further sales to existing customers, and we had made sales to 15 new corporate customers and six new grocery stores customers.

To expand our product portfolio, as at the Latest Practicable Date, we were continuing with our product development of new snack products such as mushrooms, beef jerky, pork trotters, quail eggs and quail meat snacks, and we had commenced trial production of our boneless chicken feet snack series. 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.

No Material Adverse Change

Our Directors confirm that since 30 June 2022 (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

"6M2021"	the six-month financial period ended 30 June 2021
"6M2022"	the six-month financial period ended 30 June 2022
"9M2022"	the nine-month financial period ended 30 September 2022
"10M2021"	the 10-month financial period ended 31 October 2021
"10M2022"	the 10-month financial period ended 31 October 2022
"Accountants' Report"	the accountants' report of our Company, the text of which is 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
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company adopted on **[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

"BDO China" or "Internal Control Consultant"	BDO China SHU LUN PAN Certified Public Accountants LLP Branch of Fujian, an independent internal control consultancy service provider
"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]

[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
"China Post Group"	China Postal Express & Logistics Co., Ltd. Jiangxi Branch* (中國郵政速遞物流股份有限公司江西省分公司) and China Post Express Logistics Co., Ltd.* (中國郵政集團有限公司江西省分公司), which are established in the PRC and grouped together and regarded as one single customer as they are under control of the same ultimate controlling party. It was one of our five largest customers for FY2020. Please refer to the paragraph headed "Business — Customers" for further details
"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 16 December 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 16 December 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
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government 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 licenced 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 Guoguang Group"	Jiangxi Guoguang Commercial Chains Co., Ltd.* (江西國光商業連鎖股份有限公司) (605188.SH), an A-share listed company listed on the Shanghai Stock Exchange, together with its two subsidiaries established in the PRC, namely, Ganzhou Guoguang Industrial Co., Ltd.* (贛州國光實業有限公司) and Yichun Guoguang Industrial Co., Ltd.* (宜春市國光實業有限公司), and Xinyu Guoguang Commercial Co., Ltd.* (新余國光商業有限公司) (which was deregistered as at the Latest Practicable Date). These companies are grouped together and regarded as one single customer as they are under control of the same ultimate controlling party. It was one of our five largest customers for FY2021. Please refer to the paragraph headed "Business — Customers" for further details
"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

[REDACTED]

"kg"	kilogramme
"Latest Practicable Date"	20 December 2022, being the latest practicable date for the inclusion of information in this document prior to the printing of this document

[REDACTED]

"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 Mr. Lan, respectively
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on **[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. Lan"	Mr. Lan Hui (蘭輝), a former employee of Jiangxi Zhengwei
"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
"Ningbo Haishu"	Ningbo Haishu Haishang Food Co., Ltd.* (寧波市海曙海尚食品有限公司), a limited liability company established in the PRC, and was one of our five largest customers for 6M2022. Please refer to the paragraph headed "Business — Customers" for further details
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"**[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%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC 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]**(s)"	the **[REDACTED]** and the **[REDACTED]**, together with, where relevant, any additional Shares issued pursuant to the exercise of the **[REDACTED]**

[REDACTED]

"Pingnan Anwang"	Pingnan Anwang Trading Co., Ltd.* (屏南縣安旺貿易有限公司), a company established under the laws of the PRC on 9 April 2020 and was a wholly-owned subsidiary of Jiangxi Zhengwei before it disposed of its entire equity interest therein to an Independent Third Party in September 2021, details of which are set out in the section headed "History, Reorganisation and Corporate Structure — Reorganisation — 4. Nominee arrangement in respect of and disposal of the shares in Pingnan Anwang" in this document

[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]**"	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 16 December 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, FY2021 and 6M2022
"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
"**[REDACTED]**"	**[REDACTED]**
"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
"ISO"	the International Organisation for Standardisation
"ISO9001"	a set of standards maintained by ISO relating to quality management system
"meat snack(s)" or "meat snack(s)" or "meat snack(s) product(s)" or "meat snack(s) product(s)"	meat snack products mainly made of meat and eggs
"Own-branded product(s)"	dried food products and snack products manufactured by our Group and sold under our "Shengyao (聲耀)" brand or "Gangweifang (贛味坊)" brand
"snack(s)" or "snack(s) product(s)"	convenience food products generally consumed and eaten between meals
"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

GLOSSARY OF TECHNICAL TERMS

"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 snack products sourced by our Group from suppliers in bulk and sold to customers without further processing
"vegetable snack(s)" or "vegetable snack(s)" or "vegetable snack(s) product(s)" or "vegetable snack(s) product(s)"	vegetable snack products mainly made of vegetables and nuts

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 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 Shares, and could cause you to lose all or part of your investment.*

RISKS RELATING TO OUR BUSINESS

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.

We may face product liability claims related to our raw materials and our products, but we do not maintain any product liability insurance.

We may face product liability claims but we do not maintain any product liability insurance. 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 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. For FY2019, FY2020, FY2021 and 6M2022, the aggregate total purchases from our five largest suppliers in each year/period for the Track Record Period accounted for approximately 28.9%, 34.8%, 39.9% and 52.0% of our total purchases, respectively. For the same periods, purchases from our largest supplier accounted for approximately 6.9%, 10.4%, 13.3% and 19.1% of our total purchases, respectively. 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 raw materials 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, FY2021 and 6M2022, our direct material costs amounted to approximately RMB186.4 million, RMB172.2 million, RMB209.6 million and RMB102.6 million, respectively, representing approximately 92.7%, 89.5%, 89.8% and 90.8% 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.

Dried food and snack production in the PRC are highly competitive, and our efforts in developing, launching and promoting new products may not be successful.

Dried food and snack production 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.

Our sales are subject to seasonality

The sales of our products are subject to seasonality fluctuations. We generally experience higher sales for products such as dried delicacies and dried aquatic products during or ahead of holiday seasons, such as the Golden Week and the Chinese New Year. Historically, we generally experienced higher sales of our products in the fourth quarter of our financial year. Seasonal variations may cause fluctuations in our interim sales and profits. As a result, our results of operations fluctuate and our interim results may not proportionately reflect our annual results.

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 suspended production for 13 days in February 2020 and three days in April 2022 and our Guangchang Plant suspended production for 15 days 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 Consolidated 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. 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 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 manufacturers of dried food and snack products 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.

We are exposed to concentration risk of reliance on our major customers, particularly supermarkets. 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, FY2021 and 6M2022, sales to our five largest customers in each year/period for the Track Record Period amounted to approximately RMB208.0 million, RMB207.0 million, RMB230.4 million and RMB108.2 million, representing approximately 70.0%, 73.2%, 67.4% and 64.8% of our total revenue, respectively. For the same periods, sales to the largest customer in each year/period for the Track Record Period amounted to approximately RMB108.1 million, RMB108.8 million, RMB128.3 million and RMB57.3 million, representing approximately 36.4%, 38.4%, 37.6% and 34.3% of our total revenue, respectively. We expect our revenue generated from such customers, particularly supermarkets, to continue being a significant portion of revenue in the foreseeable future.

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, FY2021 and 6M2022, we generated revenue of approximately RMB29.2 million, RMB38.7 million, RMB50.6 million and RMB30.9 million, respectively, from our sales over concessionary counters, representing approximately 9.8%, 13.7%, 14.8% and 18.5% of our total revenue for the corresponding years or period, respectively. Supermarkets charged us counter promotion fees for operation of concessionary counters of approximately RMB3.2 million, RMB3.2 million, RMB4.8 million and RMB2.8 million, for FY2019, FY2020, FY2021 and 6M2022, respectively. Supermarkets may raise the counter 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, RMB63.2 million and RMB62.3 million as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, 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. Our trade receivables remained relatively stable at approximately RMB62.3 million as at 30 June 2022 as compared to approximately RMB63.2 million as at 31 December

2021. We generally grant credit terms of between 30 days to 90 days to our customers. For FY2019, FY2020, FY2021 and 6M2022, the impairment provision were RMB1.8 million, RMB1.2 million, RMB0.3 million and RMB0.3 million, respectively, accounting for approximately 2.4%, 2.3%, 0.5% and 0.5% of our trade receivables as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, 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 vegetable snacks and 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.

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. 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. 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, 31 December 2020, 31 December 2021 and 30 June 2022, we had inventories of approximately RMB62.4 million, RMB98.2 million, RMB106.5 million and RMB97.2 million, respectively. Our inventory turnover days for FY2019, FY2020, FY2021 and 6M2022 were 120.3 days, 152.5 days, 160.0 days and 163.1 days, respectively. Please refer to the paragraph headed "Financial Information — Selected Items of Consolidated 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, FY2021 and 6M2022, our direct labour costs included in cost of sales amounted to approximately RMB7.3 million, RMB11.1 million, RMB11.8 million and RMB4.9 million, representing approximately 3.6%, 5.8%, 5.1% and 4.3% 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. 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 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》. Our approvals, licences and permits are 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, FY2021 and 6M2022, we received certain government grants and subsidies of approximately RMB4.1 million, RMB4.6 million, RMB3.7 million and RMB0.1 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 have recorded negative operating cash flows for 6M2021.

We recorded net cash used in operating activities of approximately RMB32.2 million for 6M2021. We cannot assure that we will not experience periods of net cash outflow from operating activities in the future. If we record net operating cash outflows again in the future, our working capital may be constrained which may materially and adversely affect our business, financial condition, results of operation and growth prospects.

We are exposed to the impairment on prepayments, deposits and other receivables.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, we had prepayments, deposits and other receivables of approximately RMB39.1 million, RMB16.2 million, RMB15.3 million and RMB19.7 million, respectively. In the application of our accounting policies, our management is required to make judgments based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. Please refer to Note 27 to the Accountants' Report in Appendix I to this document. During the Track Record Period, our impairment loss for prepayments, deposits and other receivables recognised in profit or loss amounted to approximately RMB74,000, RMB48,000, RMB56,000 and RMB210,000 for FY2019, FY2020, FY2021 and 6M2022, respectively. We cannot guarantee that we will not be exposed to the impairment on prepayments, deposits and other receivables in future, which could adversely affect our results of operations and financial conditions.

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 — Litigation and Non-Compliance" in this document.

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

Pursuant to the EIT Law and related regulations, enterprises operate in China are generally subject to EIT at a rate of 25% on the taxable profit. Jiangxi Zhengwei was recognised as a "high and new technology enterprise" (the "**HNTE**") in 2017 for three years and renewed its HNTE qualification in 2020 for another three years. Guangchang Zhenglian was accredited as HNTE in 2019 and renewed its HNTE qualification in 2022 for another three years. Accordingly, they had been entitled to a preferential tax rate of 15% during the Track Record Period. In addition, during the Track Record Period, income generated from some of our dried food products such as mushroom, black fungi and dried cuttlefish were classified as preliminary processing of agricultural products, and were therefore exempted from EIT. For Jiangxi Zhengwei and Guangchang Zhenglian, as a manufacturing company, we also benefited from an additional 75% corporate income tax deduction applicable on the research and development expenses for 2019 and 2020 and an additional 100% corporate income tax deduction applicable on the research and development expenses since 2021. For details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Taxation" in this document.

We cannot assure you that we will continue to enjoy preferential tax treatments at the levels that we historically have, or at all. 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 dried food and snack markets are 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. 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 **[REDACTED]** and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), and the **[REDACTED]** may differ significantly from the market price 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]** on the Stock Exchange 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 **[REDACTED]** and the **[REDACTED]** (for themselves and on behalf of the **[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.

Certain information and statistics contained in this document are obtained from government sources and may not be accurate or reliable.

In this document, certain information and statistics concerning China, its economic conditions and the industries are derived from official government sources, other publications or the Industry Report. Nevertheless, the information extracted from official government sources have not been independently verified by us, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, any of our or their respective directors, officers or advisers or any other persons or parties (other than Frost & Sullivan) involved in the **[REDACTED]**. You should consider carefully how much weight you should place on those information 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

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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, [REDACTED]	**Grand Moore Capital Limited** Unit 1401, 14/F Lippo Sun Plaza 28 Canton Road Tsim Sha Tsui Kowloon Hong Kong

[REDACTED]

[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 1401, 14/F Lippo Sun Plaza 28 Canton Road Tsim Sha Tsui Kowloon Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered office in the Cayman Islands	**Appleby Global Services (Cayman) Limited** 71 Fort Street PO Box 500, George Town Grand Cayman KY1-1106 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

The information and statistics set out in this section and other sections of this document were extracted from report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us and from various official government publications and other publicly available information. The information from official government sources has not been independently verified by us, the Sole Sponsor, **[REDACTED]** *or any other parties (other than Frost & Sullivan) involved in the* **[REDACTED]***, advisers, or agents, and no representation is given as to the accuracy of such information.*

SNACK FOOD INDUSTRY

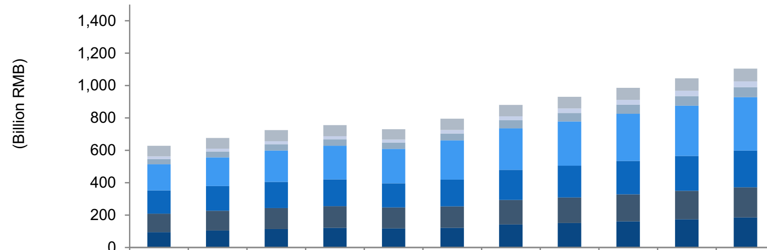
Overview of China's Snack Food Industry

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 (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%

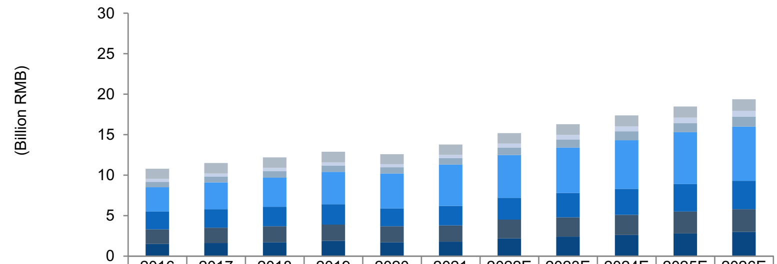
Source: Frost & Sullivan

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 (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%

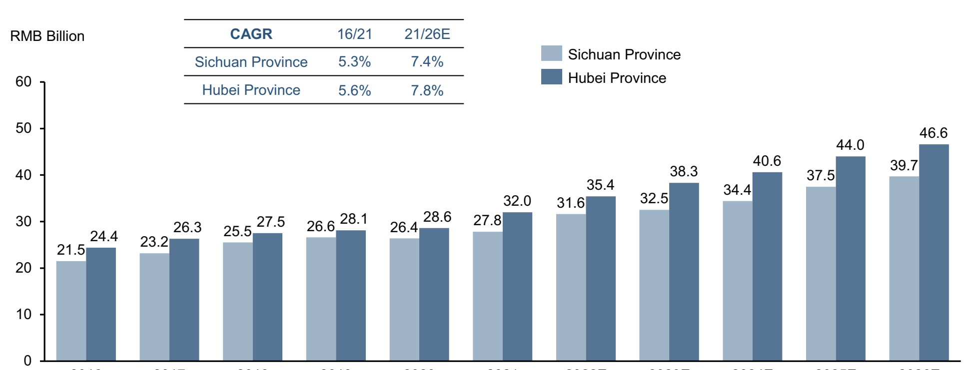
Source: Frost & Sullivan

Overview of Sichuan Province's and Hubei Province's Snack Food Industry

The market size of snack food industry in Sichuan Province and Hubei Province has increased from RMB21.5 billion and RMB24.4 billion in 2016 to RMB27.8 billion and RMB32.0 billion in 2021, respectively, representing a CAGR of approximately 5.3% and 5.6%, respectively.

Going forward, along with growing consumption power of Chinese residents, the market size of snack food industry in Sichuan Province and Hubei Province is expected to grow at a CAGR of approximately 7.4% and 7.8% from 2021 to 2026, respectively, reaching RMB39.7 billion and RMB46.6 billion in 2026, respectively.

Market Size of Snack Food Industry in terms of Revenue (Sichuan Province and Hubei Province), 2016 — 2026E



Source: Frost & Sullivan

Market Drivers of China's Snack Food Industry

Growing consumer base: The consumption of snack food provides consumers with a cheerful experience, bringing a sense of joy, satisfaction and comfort. As such, consumers across various age groups all enjoy snack food, cultivating a growing consumer base for snack food. In addition, interprovincial migration due to accelerating urbanisation, as well as improvement of logistics infrastructure, have enabled the expansion of regional delicacies. In particular, spicy snack food, which were primarily consumed in Jiangxi Province, Hunan Province, Hubei Province, Sichuan Province, Chongqing and Guizhou Province, is gradually becoming popular nationwide. The development of Internet, e-commerce and social media in China have also contributed to the prevalence of spicy snack food. For example, an increasing number of internet celebrities regard spicy snack food as an interesting element for their content. Events including food taste test on well-known social platforms, further accelerate the spread of spicy snack food among the public.

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. People with booming disposable income are expected to be more willing to spend money for snacks, thus in turn benefiting the snack food manufacturers including our Group.

Diversified consumption occasions and increasing consumption frequency: Evolving consumption habits are key to the growth of China's snack food industry. Consumption of snack food is no longer limited to meals, but has expanded to a variety of occasions, including leisure activities, entertainment, travel and office hours. The diversification of consumption occasions has increased the consumption frequency of snack food, further boosting its market growth.

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. For example, spicy snack food have expanded to new spicy flavors such as sweet spicy and sour spicy to meet the needs of a wider range of consumers, which in turn promotes the development of the industry. In addition, there are a number of potential segments emerging in the spicy snack food industry, such as kelp, konjac and other spicy vegetable snacks. Benefitting from their exquisite texture and continuous upgrade of existing products and introduction of new products, such products are highly appealing to consumers. Innovation in taste and product updates by snack food manufacturers make consumers more willing to try and enhance their repurchase rates, facilitating the manufacturers including our Group in the industry to continuously devote to product innovation and update.

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. The improvement of retail sales channels raises consumers' consumption frequency, gradually releasing the market potential in lower-tier cities. 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. There are increasing number of snack food manufacturers, including our Group, which set up online retail channels in large online shopping platforms, such as Tmall and JD.com. The popularity of online sales has provided an additional sales channel for selling snack food products and help boost sales for snack food manufacturers.

Opportunities of China's Snack Food Industry

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 of China's Snack Food Industry

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.

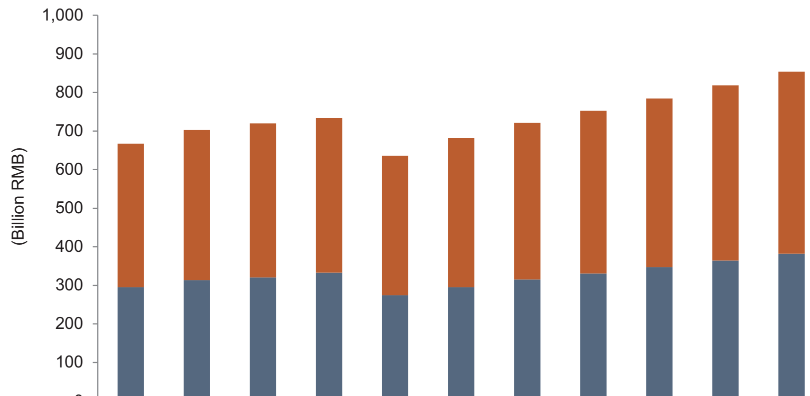
DRIED FOOD PRODUCTS MARKET

Overview of China's Dried Food Product Market

The Group's 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 "vegetable, fungus, fruits and nuts" and "aquatic products" (collectively, the "**Selected Sub-market**").

The market size in terms of the revenue of China's Selected Sub-market has increased from RMB667.7 billion in 2016 to RMB681.5 billion in 2021, representing a CAGR of approximately 0.4%. Along with the latest processing technology, expanding distribution channels and industrial consolidation, the market size in terms of the revenue of China's Selected Sub-market is expected to grow at a CAGR of approximately 4.6% from 2021 to 2026, reaching RMB854 billion.

Market Size of Selected Sub-market in terms of Revenue (China), 2016 — 2026E



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (16-21)v	CAGR (21-26E)
Total	667.7	703.0	720.1	733.9	636.4	681.5	721.7	752.8	784.9	819.0	854.0	0.4%	4.6%
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%

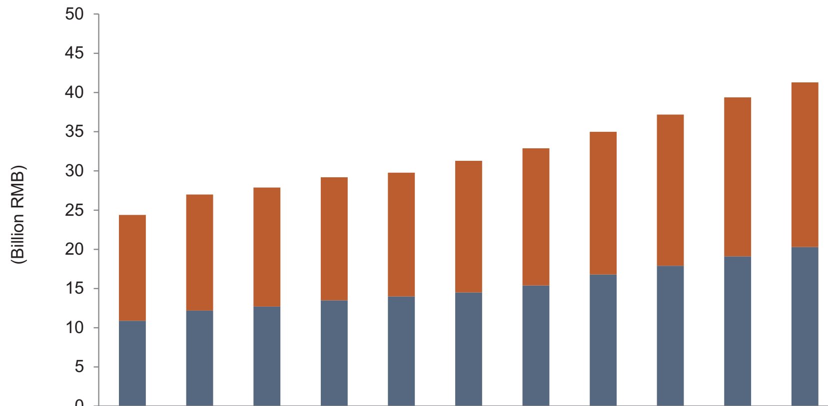
Source: Frost & Sullivan

Overview of Jiangxi Province's Selected Sub-market

The market size in terms of the revenue of Selected Sub-market in Jiangxi Province has increased from RMB24.4 billion in 2016 to RMB31.3 billion in 2021, representing a CAGR of approximately 5.1%.

Going forward, boosted by economy growth and growing income level, the market size in terms of the revenue of Selected Sub-market in Jiangxi Province is expected to grow at a CAGR of approximately 5.7% from 2021 to 2026, reaching RMB41.3 billion in 2026.

Market Size of Selected Sub-market in terms of Revenue (Jiangxi Province), 2016 — 2026E



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (16-21)	CAGR (21-26E)
Total	24.4	27.0	27.9	29.2	29.8	31.3	32.9	35.0	37.2	39.4	41.3	5.1%	5.7%
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%

Source: Frost & Sullivan

Market Drivers of China's Dried Food Products Market

Accelerating Urbanisation Process: China's urbanisation rate increased by 7.4% from 57.3% to 64.7% from 2016 to 2021, and is expected to accelerate and reach 74.2% by 2026. The increasing urbanisation rate has greatly improved people's living standards and therefore stimulated their consumption demand of dried food products. Continuous urbanisation also provides more retail channels for consumers to purchase dried food products, which help driven the sales growth of dried food products. Increase in consumption demand driven by accelerating urbanisation process and the increasing number of retail channels are favourable to market expansion for dried food products manufacturers, including the Group, as it would be easier for them to reach a wider consumer group across the country through multiple online and offline sales channels.

Rising Purchasing Power of Chinese Consumers: 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 and reach RMB66,500 in 2026. Consumers' purchasing power usually grows with the increase of income level, which in turn drives their demand for dried food products, and provides growth potential for the dried food products market and therefore benefits the market participants including the Group.

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 dried 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 dried food products. Dried food product producers, including the Group, are expected to continue to invest in product development and to constantly expand and enrich their product portfolio to remain competitive in the market.

Opportunities, Threats and Challenges of China's Dried Food Products Market

Opportunities

Application of Advanced Processing Technology: Along with the rapid expansion of dried food products processing industry and the development of processing methods, more advanced technologies are being adopted in the processing of dried 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 dried 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 dried food products processing industry.

Growing Industrial Consolidation: With growing customer's concern of food safety, improved dried food modernisation, and the rigid regulatory system for standardisation of production processes of dried 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, dried 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 dried 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, dried food products processers are able to expand customer coverage and enhance their brand awareness in China's dried food products processing industry.

Threats and Challenges of China's Dried Food Products Market

Increasing Labour Cost: As labour cost is one of the major costs for China's dried food products 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. Dried food product manufacturers are expected to be subject to stricter food safety regulatory controls and thus higher compliance costs may thereby be incurred.

COMPETITIVE LANDSCAPE

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 29.4% 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 and RMB54.7 million from snacks in China and Jiangxi Province in 2021, respectively, accounting for approximately 0.01% and 0.4% 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	Market Share (%)
1	Jiangxi Huangshanghuang Group Food Co., Ltd.* (江西煌上煌集團食品股份有限公司) ("**Huangshanghuang**")	12.4%
2	Ganyuan foods Co., Ltd.* (甘源食品股份有限公司) ("**Ganyuan**")	9.4%
3	JiangXi Province LDY Supply Industrial Co., Ltd.* (江西省綠滋肴實業有限公司) ("**LDY Supply**")	1.9%
4	Jiangxi Yifang Rural Technology Co., Ltd.* (江西奕方農業科技有限公司) ("**Yifang**")	1.8%
5	**The Company**	**0.4%**

Company	Background	Registered Capital (RMB Million)	Product Category	Total Employees	Listed / Non-listed	Established Year	Headquarter
Huangshanghuang	The company is a listed snack food manufacturer on Shenzhen Stock Exchange. The company has eight modern food production and processing bases nationwide, developed six series, more than 100 products, nearly 5,000 chain stores distributed in 27 provinces and municipalities nationwide.	512.30	Livestock and poultry meat products. aquatic products processing	~900	Listed	1999	Jiangxi Province
Ganyuan	The company is a listed company on Shenzhen Stock Exchange, and a leading snack food manufacturer with two modern production bases in China.	93.22	Seeds. nuts and kernels, and cereal crisps	~1,600	Listed	2006	Jiangxi Province
LDY Supply	The company is an unlisted snack food manufacturer, focusing in agricultural and sideline products in Jiangxi Province	34.18	Agricultural and aquatic products processing	~100	Non-listed	2002	Jiangxi Province
Yifang	The company is an unlisted snack food manufacturer, which is a leading domestic fruit and vegetable ingredients processing enterprise. The company has an industrial layout in Shanghai, Haimm Province, Hubel Province and Jiangxi Province, with two fruit planting bases.	205.00	Snack food manufacturer, vegetables, fungus, fruits and nuts processing	~200	Non-listed	2014	Jiangxi Province

Source: Frost & Sullivan

Snack food product producers generally compete on the basis of product quality, the stability of their supplies, and the number and diversity of their products.

Competitive Landscape of Selected Sub-market in Jiangxi Province

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 3.7% market share in terms of revenue generated from the Selected Sub-market. The Group recorded revenue of approximately RMB112.1 million in 2021 from the Selected Sub-market, ranking 5th 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	Market Share (%)
1	Wanzai Qinyie Foodstuffs Co., Ltd.* (萬載縣青葉食品有限公司) ("**Wanzai Qinyie**")	1.7%
2	Jiangxi Huayi Food Co., Ltd.* (江西華誼食品有限公司) ("**Huayi**")	0.9%
3	Jiangxi Xinan Food Group Co., Ltd.* (江西省新安食品集團有限公司) ("**Xinan**")	0.4%
4	Jiangxi Yifang RURAL Technology Co., Ltd.* (江西奕方農業科技有限公司) ("**Yifang**")	0.4%
5	**The Company**	**0.4%**

Company	Background	Registered Capital (RMB Million)	Product Category	Total Employees	Listed / Non-listed	Established Year	Headquarter
Wanzai Qinyie	The company is an unlisted agricultural product processing company with business in both vegetables, fungus, fruits and nuts processing, and snack food processing.	25.00	Tangerine, buckwheat head, mushroom, bamboo shoot, ginger, bean, lily	Less than 50	Non-listed	2000	Jiangxi Province
Huayi	The company is mainly engaged in aquatic products trade, aquaeulture, deep processing and other businesses. All products are exported to Hong Kong, Macau, Japan, South Korea and other Asian regions, Europe and the United States and other regions.	21.00	Aquatic products processing	Less than 50	Non-listed	2006	Jiangxi Province
Xinan	The company is an unlisted snack food manufacturer, which has developed more than 30 kinds of products. with eight green, seven organic, three famous brand agricultural products. It has three patents, and had been awarded Jiangxi famous trademarks and Jiangxi famous brand product certificate.	30.00	Deep processing of local special agricultural resources	Less than 50	Non-listed	1999	Jiangxi Province
Yifang	The company is an unlisted snack food manufacturer, which is a leading domestic fruit and vegetable ingredients processing enterprise. The company has an industrial layout in Shanghai, Hainan Province, Hubei Province and Jiangxi Province, with two fruit planting bases.	205.00	Snack food manufacturer, vegetables, fungus, fruits and nuts processing	~200	Non-listed	2014	Jiangxi Province

Source: Frost & Sullivan

Consumers in the PRC select dried food products and snacks primarily based on price, brand recognition, and taste.

ENTRY BARRIERS OF CHINA'S SNACK FOOD MARKET AND DRIED FOOD PRODUCTS MARKET

Distribution Channel: Distribution channel is extremely crucial for the new entrants in both snack food market and dried food products 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 snack food market and dried food products 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: Snack food market and dried food products 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 snack food market and dried food products 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.

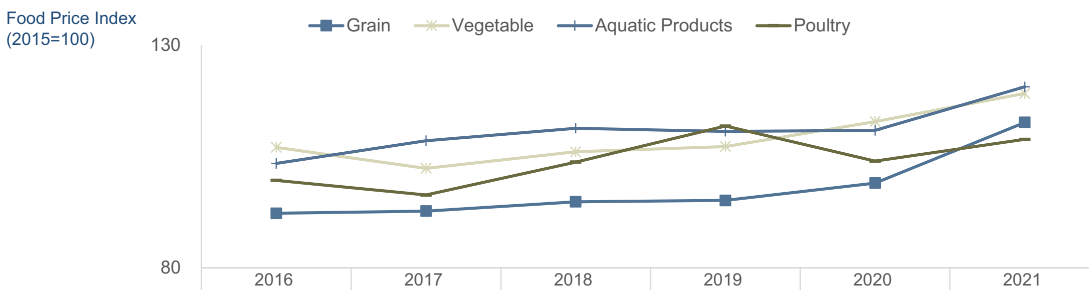
Management Capability: Most snack food and dried food products manufacturers aim to expand from a local or regional enterprise to a national enterprise to raise brand awareness and thereby to improve their market penetration across the country. In order to manage different wholesalers and regional teams, 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 snack food and dried food products 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 snack and dried food product manufacturers. 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) snack food industry and (ii) dried food products market. 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) various market drivers set out above are likely to drive the growth of China's dried food products and snack food market; and (iv) the COVID-19 pandemic will be under effective control in the PRC 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.

During the Track Record Period and up to the Latest Practicable Date, according to our PRC Legal Advisers, we believe that we fully comply with the Food Safety Law in China.

FOOD PRODUCTION AND TRADING LICENCE

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 licence 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 licences 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 licence is valid for five years and is subject to the "one entity, one licence" 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 licence. The principle of one licence for one site shall apply to the food operation licence. 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 licence is valid for five years.

According to our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, our operating entities have timely received all required food production licences and food operation licences 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 licence 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.

During the Track Record Period and up to the Latest Practicable Date, we together with our PRC Legal Advisers believe that we fully comply with the food labeling laws in China.

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 licences 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 licences 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.

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 licences; 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.

During the Track Record Period and up to the Latest Practicable Date, the Company neither issued any "proactive recall" notice itself nor received any "ordered recall" request from the relevant regulatory authorities directly. The Company also did not receive any administrative penalties or foresee any penalties to be made by any related PRC government 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 licence 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 licence shall review the licence 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 licence 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, during the Track Record Period and up to the Latest Practicable Date, 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. During the Track Record Period and up to the Latest Practicable Date, 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 licence 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.

During the Track Record Period and up to the Latest Practicable Date, 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. During the Track Record Period and up to the Latest Practicable Date, 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%. During the Track Record Period and up to the Latest Practicable Date, 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 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 the Labor Contract Law, temporary employment refers to the form of employment that is based on hourly remuneration, with the average daily working hours of workers not exceeding four hours and the cumulative weekly working hours not exceeding 24 hours. The parties may enter into an oral agreement. The Company should also pay the work-related injury insurance for the temporary workers.

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. During the Track Record Period and up to the Latest Practicable Date, 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 **[REDACTED]** under this document are subject to the M&A Rules, the interpretation and application of the regulations remain unclear, and this **[REDACTED]** 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 **[REDACTED]** 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, during the Track Record Period and up to the Latest Practicable Date, 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 licence.

As advised by our PRC Legal Advisers, as of the date of this document, the Draft Rules Regarding Overseas Listing have not been formally adopted. The provisions and anticipated effective date of it are subject to changes and interpretation, and its implementation remains uncertain. The Company is currently not required to obtain any permission from or complete any filing with the CSRC. We and our operating entities have also 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]**. As advised by our PRC Legal Advisers, we are not aware of the existence of any circumstances that would prohibit us from conducting overseas securities offering and listing under the Draft Rules Regarding Overseas Listing. Therefore, if the Draft Rules Regarding Overseas Listing are enacted and become effective in their current form, after consulting with our PRC Legal Advisers, we do not foresee any impediment for us to comply with the Draft Rules Regarding Overseas Listing including the filing requirements.

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.

We mainly produce, and to a lesser extent trade, dried food products and snacks in Jiangxi Province, and to a lesser extent, Sichuan Province and Hubei Province. Established in 2002, we first developed our business from producing dried food products. Leveraging our experience and established brand name in dried food production, we first expanded our business into snack production and introduced fragrant lotus seeds in early 2019. In view of the expected growth of the vegetable and meat snack market, we further launched our vegetable snacks in August 2019 and then our meat snacks in January 2021. Our Directors consider that vegetable and meat snacks have become increasingly popular in China with market potentials for our Group.

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.

Year	Event
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.
2017	Guangchang Zhenglian was established in the PRC.
	Jiangxi Zhengwei was 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 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 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 Mr. Lan 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]**. 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, with which the Sole Sponsor concurs, (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 Mr. Lan 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 snacks.

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

[REDACTED]

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

[REDACTED]	Mr. Lei	Mr. Su
Date of the agreement(s)	7 May 2019, 25 December 2019 and 22 December 2022	29 April 2019, 27 September 2020 and 22 December 2022
Amount of the consideration	RMB20,033,193.72 (equivalent to approximately HK$23,513,138)	RMB13,157,895 (equivalent to approximately HK$15,443,539)
Basis of the determination of the consideration	The valuation of Jiangxi Zhengwei of approximately RMB250,000,000 based on the net profit of Jiangxi Zhengwei for the year ended 31 December 2018 and the net profit guarantee of not less than 50% for the year ended 31 December 2019	The valuation of Jiangxi Zhengwei of approximately RMB250,000,000 based on the net profit of Jiangxi Zhengwei for the year ended 31 December 2018 and the net profit guarantee of not less than 50% for the year ended 31 December 2019
Settlement date of the consideration	30 December 2019	28 October 2020
Shareholding/equity interest in Jiangxi Zhengwei subscribed	Approximately 7.42%, which later become 7.05% after taking into consideration the **[REDACTED]** by Mr. Su	Approximately 5%
Effective acquisition cost per Share *(Note 1)*	Approximately RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**)	Approximately RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**)

Discount to [REDACTED] of [REDACTED] range	A discount to approximately **[REDACTED]**% over the **[REDACTED]** of the indicative **[REDACTED]** range. The discount takes into consideration (i) the timing of the **[REDACTED]**, which was at an earlier stage that bears a relatively higher risk and faces more uncertainties in terms of a company's progress in its preparation for its proposed **[REDACTED]** on the Stock Exchange; and (ii) the strategic benefits to be brought by Mr. Lei	A discount to approximately **[REDACTED]**% over the **[REDACTED]** of the indicative **[REDACTED]** range. The discount takes into consideration (i) the timing of the **[REDACTED]**, which was at an earlier stage that bears a relatively higher risk and faces more uncertainties in terms of a company's progress in its preparation for its proposed **[REDACTED]** on the Stock Exchange; and (ii) the strategic benefits to be brought by Mr. Su
[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; and bringing potential collaborative effect to our Company with Mr. Lei's extensive business and government network in the PRC given that Mr. Lei holds positions at a number of organisations in the PRC as detailed in the paragraph headed "Information regarding the **[REDACTED]** — Mr. Lei and Pluto Universal" in this section. Our Directors believe that with Mr. Lei's strong connections with the local government, he can act as a channel to facilitate effective communications between the Group and the local government, and also enable the Group to obtain information on the latest government policies which are relevant to the Group's business and development	Strengthening of our capital and shareholder base; and given the extensive managerial and financial experience of Mr. Su in the manufacturing industries, our Directors believe that we will continue to benefit from his input and professional advice on our Group's strategic development and capital management, as well as improvement of our Company's financial reporting and internal controls
Shareholding in our Company upon [REDACTED] *(Note 2)*	Approximately **[REDACTED]**%	Approximately **[REDACTED]**%
Special rights	Nil	Nil
Lock-up period	Each of the **[REDACTED]** agrees to a twelve months lock-up from the **[REDACTED]** in respect of the Shares held by them.	

[REDACTED]	As Mr. Lei is the director of Jiangxi Zhengwei and thus a core connected person of the Company under Rule 8.24 of the Listing Rules, the Shares held by Mr. Lei are not regarded as part of the **[REDACTED]** for the purpose of Rule 8.08(1) of the Listing Rules	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 Mr. Su 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]**, 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 Mr. Lan 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]**, 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 Mr. Lan 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.

As advised by our PRC Legal Advisers, each of the **[REDACTED]** was conducted in compliance with all applicable laws and regulations.

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. Lei was also a member of the 16th Nanchang Municipal People's Congress (南昌市第十六屆人大代表), Standing Committee Member of the 16th Nanchang Municipal People's Congress (南昌市第十六屆人大常委), and a member of the 12th Chinese People's Political Consultative Conference of Jiangxi Province (中國人民政治協商會議江西省第十二屆委員會).

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.

Our Company is also of the view that the **[REDACTED]**' investments demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects. 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.

Lock-up undertakings by the [REDACTED]

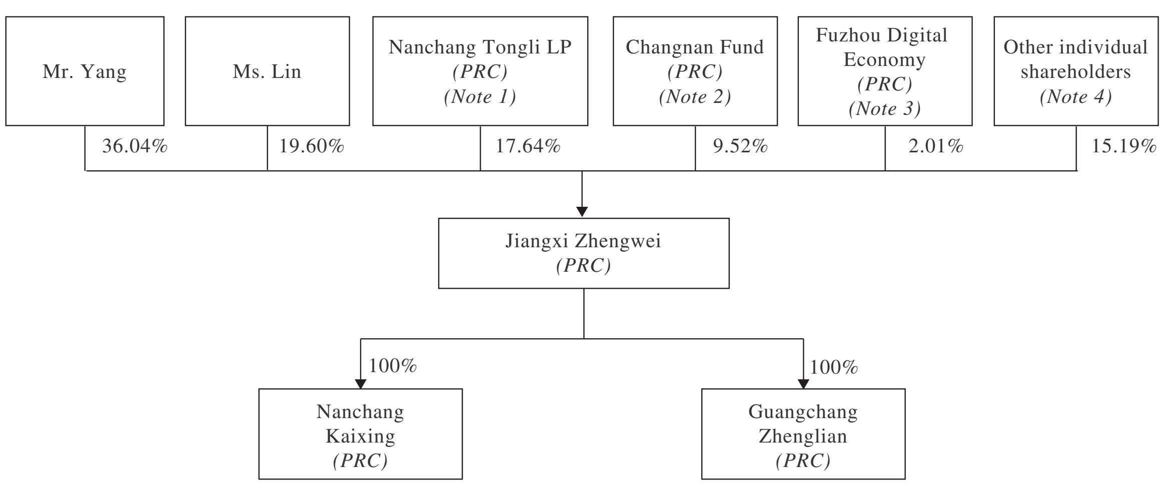
On 22 December 2022, each of the **[REDACTED]** together with their respective investment holding companies, namely Pluto Universal and Vantage Link respectively, entered into two separate supplemental agreements, pursuant to which, each of them have agreed that they will not, whether directly or indirectly, at any time during the period of twelve months following the **[REDACTED]**, dispose of any of the Shares directly or indirectly held by them.

View of the Sole Sponsor

The Sole Sponsor is of the view that the **[REDACTED]** 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]** 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]**. 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]** as no convertible instrument was issued.

REORGANISATION

The following chart sets forth our corporate structure immediately before the **[REDACTED]** 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), a PRC government authority and an Independent Third Party.

(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, who are all Independent Third Parties (with Mr. Lan 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 acquired and held approximately 0.43% of the interest in Nanchang Tongli LP since 20 May 2016. As the general partner, Mr. Yang is exclusively vested with power to manage, control, operate and make decision on the investment activities of Nanchang Tongli LP. The limited partners of Nanchang Tongli LP comprise 20 PRC individuals who are Independent Third Parties and acquired the interests in Nanchang Tongli LP during the period from 20 May 2016 to 29 April 2020. Amongst the 20 PRC individuals, six of them are employees of Jiangxi Zhengwei; and amongst the six employees, four of them are also Mr. Yang's relatives. No limited partners held 30% or more of the interest in Nanchang Tongli LP. To the best knowledge of our Directors, save as disclosed above, our Directors confirmed that all of the limited partners of Nanchang Tongli LP, including their controlled entities or close associates, have no past or present relationships or arrangements (including but not limited to business, employment, trust, fund flow, financing, guarantee or family relationship) with the Company or its major customer and suppliers, including their respective directors, shareholders, senior management, and any of their respective associates during the Track Record Period.

Immediately prior to the Reorganisation, Jiangxi Zhengwei was owned by Nanchang Tongli LP as to approximately 17.64%, whereby Nanchang Tongli LP acquired such equity interest as follows:-

(i) on 26 September 2016, Mr. Yang entered into an equity interest transfer agreement with Nanchang Tongli LP to transfer his approximately 12% equity interest in Jiangxi Zhengwei to Nanchang Tongli LP at the consideration of RMB1.2 million, which was determined based on arm's length negotiations with reference to the then registered capital of Jiangxi Zhengwei. Upon completion of the transfer, Jiangxi Zhengwei was owned as to approximately 12% by Nanchang Tongli LP; and

(ii) during the period from 6 September 2018 to 18 September 2018, Mr. Zhang Kai and Mr. Tan Huosheng transferred their respective shareholdings of 390,000 shares and 390,000 shares, representing approximately 3% and 3% equity interest in Jiangxi Zhengwei, respectively, through NEEQ to Nanchang Tongli LP at the respective consideration of RMB1,482,000 and RMB1,482,000. To the best knowledge, information and belief of our Directors having made all reasonable enquiries, the considerations were determined based on normal commercial terms and on an arm's length basis. To the best knowledge of our Directors, each of Mr. Zhang Kai and Mr. Tan Huosheng was a director of Jiangxi Zhengwei for the period from 23 December 2016 to 9 August 2018. Upon completion of the transfers, Jiangxi Zhengwei was owned as to approximately 18% by Nanchang Tongli LP, which was later diluted to approximately 17.64% on 3 December 2018 after the subscription of approximately 2.01% equity interest and the capital injection of RMB266,667 in Jiangxi Zhengwei by Fuzhou Digital Economy.

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), a PRC government authority and an Independent Third Party.

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 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 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 were allotted and issued to Shengyao Investment, Trendy Peak, Prosperous Season, Best Talent, Chang Nan Financial, Pluto Universal, Mass Jovial and Cheerly Success respectively, at the par value of US$1.00 each. The nominal consideration was determined based on the value of the issued share capital of the Company. 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. Nominee arrangement in respect of and disposal of the shares in Pingnan Anwang

With a view to expand the corporate customers network of our food production business in Fujian Province, Jiangxi Zhengwei entrusted Ms. Xu Huizhu and Ms. Lin Xiaoying to establish a subsidiary namely Pingnan Anwang in Fujian Province on 9 April 2020. The reason for entrusting Ms. Xu Huizhu and Ms. Lin Xiaoying to hold the shares in Pingnan Anwang on behalf of Jiangxi Zhengwei was because both of them resides in Pingnan County of Fujian Province, hence it was more convenient for them to deal with the establishment process of Pingnan Anwang. As at the date of its establishment, Pingnan Anwang was owned as to 80% and 20% by Ms. Xu Huizhu and Ms. Lin Xiaoying, respectively, who acted as nominee shareholders on behalf of Jiangxi Zhengwei for holding shares in Pingnan Anwang. To the best knowledge of our Directors, Ms. Xu Huizhu is the spouse of Mr. Yang Shengyu, who is Mr. Yang's brother, whereas Ms. Lin Xiaoying is the cousin of Mr. Yang.

On 23 December 2020, Ms. Xu Huizhu and Ms. Lin Xiaoying, as the nominee shareholders, transferred their respective equity interest in Pingnan Anwang to Jiangxi Zhengwei at a total consideration of RMB2,000, which was determined based on the establishment expenses of Pingnan Anwang.

Pingnan Anwang was principally engaged in sales of dried food products and the total revenue of Pingnan Anwang for the year ended 31 December 2020 and the six months ended 30 June 2021 was nil and approximately RMB2.4 million, respectively. After approximately nine months of operation in Fujian Province, the Group was of the view that the expansion of the corporate customers network did not develop as expected as the customers in Fujian Province remained primarily supermarkets chain customers, which the Group could deal with from its headquarters in Jiangxi Province without the need to travel to Fujian Province. In order to streamline our business operation and reduce unnecessary expenses, Jiangxi Zhengwei decided to dispose of Pingnan Anwang. On 1 September 2021, Jiangxi Zhengwei as seller entered into an equity transfer agreement with Ms. Wei Liping as purchaser, whereby Jiangxi Zhengwei agreed to dispose the entire equity interest in Pingnan Anwang at the consideration of RMB1,936,081.69. Such consideration was determined based on an arm's length basis between the parties with reference to the net asset value of Pingnan Anwang as at the date of the transfer. The reason for Ms. Wei Liping to acquire the entire equity interest in Pingnan Anwang was because she needed a ready-to-operate company established in Fujian Province for business needs. To the best knowledge of our Directors, Ms. Wei Liping is a businesswoman engaged in trading business in Fujian Province, who was referred to Mr. Yang by his friend and also an Independent Third Party.

Save as disclosed above, our Directors confirmed to their best knowledge that each of the sellers and purchaser have no past or present relationships or arrangements (including but not limited to business, employment, trust, fund flow, financing, guarantee or family relationship) with our Group, our Directors, Shareholders, senior management or their respective associates during the Track Record Period; and our Group did not have any business transactions or financing arrangements with any of the sellers, the purchaser or Pingnan Anwang during the Track Record Period.

During the Track Record Period and up to the date of the disposal, Pingnan Anwang has fully complied with all applicable laws and regulations in the PRC and it was not subject to any potential liabilities or obligations. As advised by our PRC Legal Advisers, the disposal was properly and legally completed and all applicable regulatory approval in the PRC had been obtained.

5. 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 Mr. Lan 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.

6. 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.

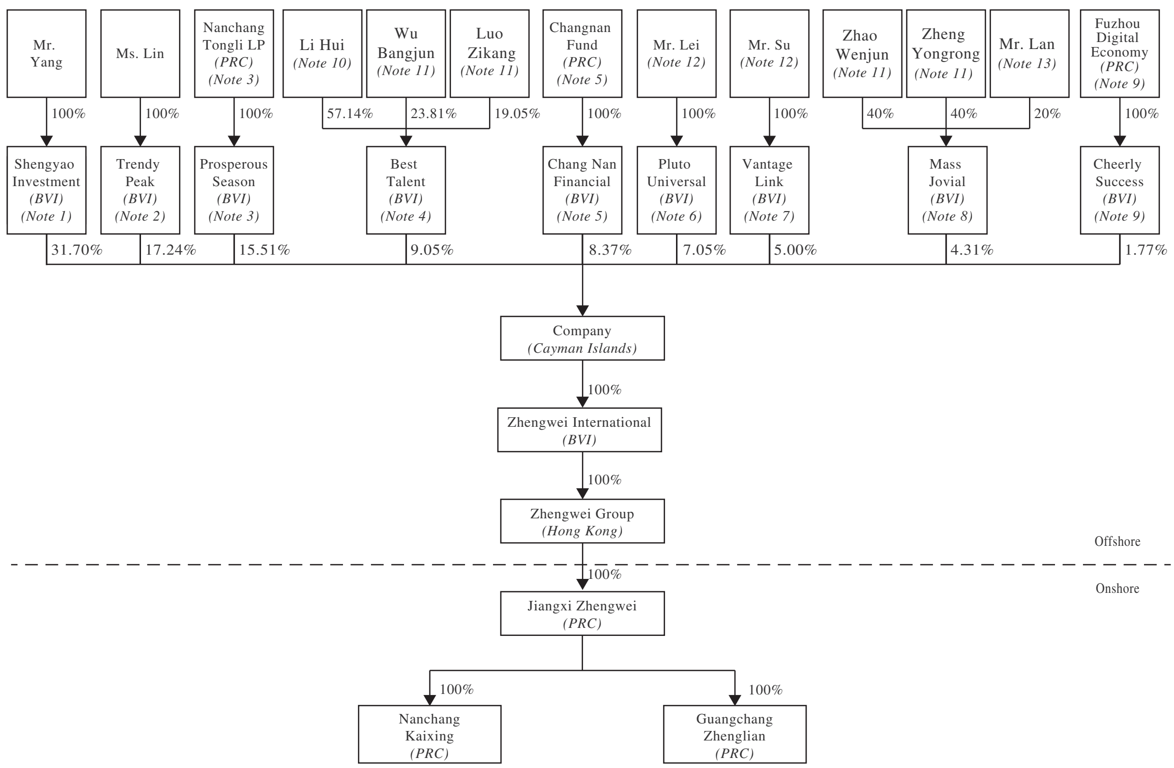
The steps and the transfer mentioned above were legally and properly completed and settled. Our Reorganisation was completed on 20 June 2022.

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), a PRC government authority and an Independent Third Party.

(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, 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) Mr. Wu Bangjun is the supervisor of Jiangxi Zhengwei, and therefore he is a connected person. On the other hand, each of 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 is a former employee of the Group and an Independent Third Party.

Lock-up undertakings by the non-Controlling Shareholders

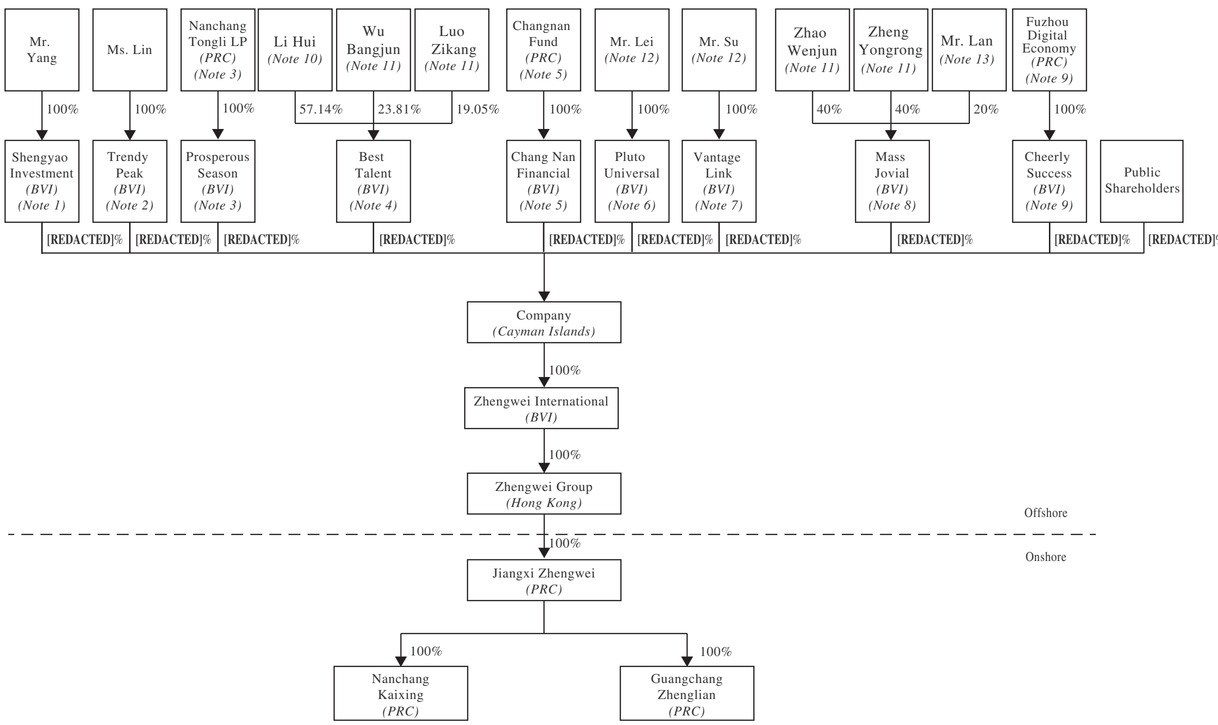
On 22 December 2022, each of Best Talent, Chang Nan Financial, Mass Jovial, Cheerly Success and their respective beneficial owners entered into separate deeds of lock-up undertakings, pursuant to which, each of them have agreed that they will not, whether directly or indirectly, at any time during the period of twelve months following the **[REDACTED]**, dispose of any of the Shares directly or indirectly held by them.

[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), a PRC government authority and an Independent Third Party.

(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, 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) Mr. Wu Bangjun is the supervisor of Jiangxi Zhengwei, and therefore he is a connected person. On the other hand, each of 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 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

We mainly produce, and to a lesser extent trade, dried food products and snacks in Jiangxi Province, and to a lesser extent, Sichuan Province and Hubei Province. Established in 2002, we first developed our business from producing dried food products. Leveraging our experience and established brand name in dried food products production, we first expanded our business into snack production and introduced fragrant lotus seeds in early 2019. In view of the expected growth of the vegetable and meat snack market, we further launched our vegetable snacks in August 2019 and then our meat snacks in January 2021. Our Directors consider that vegetable and meat snacks have become increasingly popular in China with market potentials for our Group. In 2021, the market size of vegetable and meat snacks in China recorded a year-on-year growth of 14.6% and 9.8%, respectively. China's and Jiangxi Province's vegetable and meat snack market are both expected to further grow at a CAGR of (i) 10.4% and 8.0%, respectively, in China and (ii) 11.4% and 9.0%, respectively, in Jiangxi Province, from 2021 to 2026. For our manufacturing business, we produce and sell a variety of (i) snacks (including vegetable snacks and 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) snacks; (ii) dried delicacies; (iii) dried aquatic products; (iv) grains; and (v) seasonings and others. As at 30 June 2022 and the Latest Practicable Date, our product portfolio included 564 and 583 types of snacks, and 625 and 630 types of dried food products, respectively. According to the Frost & Sullivan Report, we were ranked fifth with market share of approximately 0.4% of the snack food market in Jiangxi Province in terms of revenue in 2021. The market size of Jiangxi Province's snack food industry accounted for approximately 1.7% of China's snack food industry 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 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 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 30 June 2022, we had 26 sales representatives and over 160 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, FY2021 and 6M2022, we introduced 114, 227, 310 and six 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. In line with our strategy to develop new product line of snacks, we introduced various vegetable snacks in FY2019 and FY2020 and meat snacks in FY2021. Considering that our product portfolio has become more diversified and matured based on our adjustment of product types and tastes according to consumer preferences over the years, our introduction of new products have slowed down for 6M2022 as compared to other financial years during the Track Record Period. We are committed to continue introducing new products to the market to further diversify our product portfolio and boost sales of the Group. As at the Latest Practicable Date, we have commenced trial production of boneless chicken feet series products, which include various flavours to cater different consumer tastes and preferences. 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		6M2021		6M2022	
	Sales volume	**Average selling price per kg**	**Sales volume**	**Average selling price per kg**	**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)*	*(tonne)*	*(RMB)*	*(tonne)*	*(RMB)*
Snacks	2,308	55.6	3,369	40.8	4,046	42.3	1,796	41.1	1,948	39.8
Dried delicacies	1,281	67.8	1,127	62.5	1,098	79.6	469	79.7	603	83.8
Dried aquatic products	392	119.2	379	139.7	426	138.5	186	122.1	210	139.5
Grains	3,510	8.2	1,546	11.6	1,754	12.2	891	11.8	646	12.7
Seasonings and others	514	13.0	343	12.1	314	10.1	125	10.2	146	10.5
Total	8,005	N/A	6,764	N/A	7,638	N/A	3,467	N/A	3,553	N/A

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

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Snacks	128,419	43.2	137,426	48.6	171,059	50.0	73,733	50.6	77,467	46.4
Dried delicacies	86,800	29.2	70,454	24.9	87,410	25.6	37,375	25.7	50,471	30.2
Dried aquatic products	46,716	15.7	52,965	18.7	59,002	17.3	22,712	15.6	29,299	17.6
Grains	28,791	9.7	17,899	6.3	21,358	6.2	10,501	7.2	8,188	4.9
Seasonings and others	6,672	2.2	4,145	1.5	3,169	0.9	1,274	0.9	1,531	0.9
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

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

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Manufacturing										
Shengyao (聲耀)	205,826	69.2	208,308	73.6	221,060	64.6	88,339	60.7	132,601	79.4
Gangweifang (贛味坊)	17,609	5.9	20,641	7.3	29,292	8.6	15,467	10.6	12,236	7.3
Subtotal	223,435	75.1	228,949	80.9	250,352	73.2	103,806	71.3	144,837	86.7
Trading	73,963	24.9	53,940	19.1	91,646	26.8	41,789	28.7	22,119	13.3
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

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

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Retailers										
Supermarkets	208,097	70.0	196,040	69.3	230,751	67.5	92,531	63.6	96,903	58.0
Grocery stores	1,588	0.5	1,935	0.7	6,604	1.9	2,537	1.7	4,134	2.5
Subtotal	209,685	70.5	197,975	70.0	237,355	69.4	95,068	65.3	101,037	60.5
Corporate customers	57,215	19.2	42,251	14.9	51,261	15.0	22,376	15.4	34,964	21.0
Concessionary counters	29,198	9.8	38,697	13.7	50,559	14.8	25,865	17.8	30,918	18.5
E-commerce	841	0.3	3,944	1.4	2,728	0.8	2,190	1.5	37	0.0
Others *(Note)*	459	0.2	22	0.0	95	0.0	96	0.0	—	N/A
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	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 Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" in this document.

OUR COMPETITIVE STRENGTHS

A track record of over 20 years in dried food production with established brand in the PRC

We have over 20 years of experience in dried food production 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 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. 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.

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

Having over 20 years of history and experience in dried food production 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 30 June 2022, we had 26 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 vegetable and 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, 31 December 2021 and 30 June 2022, we had 487, 604, 623 and 625 types of dried food products, respectively, and 159, 269, 560 and 564 types of snacks in our product portfolio, respectively. As at the Latest Practicable Date, our product portfolio comprised (i) 583 types of snacks such as bamboo shoots crisps and roasted duck necks; and (ii) 630 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 30 June 2022, 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, FY2021 and 6M2022, we introduced 114, 227, 310 and six 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.

With the increasing income level and purchasing power, our Directors consider that consumption of food 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 30 June 2022, we had a 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 in dried food and snack production, 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, FY2021 and 6M2022, revenue generated from our manufacturing business represented approximately 75.1%, 80.9%, 73.2% and 86.7% of our total revenue for the same year or period, 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 vegetable snacks and meat snacks. We intend to increase production capacity of our popular meat snack products such as marinated chicken wing tips and roasted duck necks as well as 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 vegetable snacks was approximately 1,589 tonnes, 2,469 tonnes, 1,629 tonnes and 659 tonnes in FY2019, FY2020, FY2021 and 6M2022, respectively. Our actual production volume for meat snacks was approximately 1,555 tonnes and 816 tonnes in FY2021 and 6M2022, respectively. For FY2019, FY2020, FY2021 and 6M2022, utilisation rate of our vegetable snack production line was approximately 102.3%, 147.8%, 91.1% and 73.7%, respectively, and utilisation rate of our meat snack production line was approximately 90.9% and 77.7% for FY2021 and 6M2022, respectively. Despite we ceased to produce fragrant lotus seeds since FY2021, the utilisation rate for our vegetable snack production line still maintained at high levels of approximately 91.1% for FY2021 and 73.7% for 6M2022. For 9M2022, our vegetable snack production line and meat snack production line recorded utilisation rate of 86.9% and 86.2%, respectively. For discussion on fluctuations of the utilisation rates of our production lines during the Track Record Period, please refer to the paragraph headed "Our Production — Designed production capacity, actual production volume and utilisation rate" in this section. Having considered that our utilisation rate for snacks production lines generally exceeded 90.0% on annual basis 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 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 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, FY2021 and 6M2022, approximately 39.3%, 42.3%, 41.5% and 44.3% of our revenue was generated from the sales of our own-branded snacks, and our Directors expect that the demand of our own-branded snack products will continue to grow. In particular, although our own-branded meat snacks were only introduced in January 2021, it contributed revenue of approximately RMB60.7 million and RMB38.5 million in FY2021 and 6M2022, respectively, accounting for approximately 17.7% and 23.0% of our total revenue for FY2021 and 6M2022, respectively. On period-to-period basis, our revenue from the sales of our own-branded meat snacks increased from approximately RMB19.9 million or 93.5% for 6M2021 to approximately RMB38.5 million for 6M2022. As for our own-branded vegetable snacks, we generated revenue of approximately RMB10.9 million, RMB54.8 million, RMB50.8 million and RMB21.5 million in FY2019, FY2020, FY2021 and 6M2022, respectively, accounting for approximately 3.7%, 19.4%, 14.9% and 12.9% of our total revenue for the same year or period, respectively. Our revenue generated from own-branded vegetable snacks decreased in FY2021 as compared to FY2020, which was mainly due to our business strategy to pool our production capacity to produce and prioritise our marketing efforts to promote our newly launched meat snack products to develop new market in FY2021. Our Directors believe that our meat snacks have established a foothold in the market and are accepted by end consumers, therefore we have readjusted our marketing strategy to promote vegetable snacks and meat snacks at the same time. In 6M2022, our revenue from the sales of our vegetable snacks increased by approximately 13.8% to RMB21.5 million as compared to approximately RMB18.9 million in 6M2021.

Our vegetable and meat snacks are generally featured with hot and spicy flavours, which our Directors consider to be more popular among consumers from provinces favouring spicy taste such as Jiangxi Province, Hubei Province, Hunan Province and Sichuan Province, among which we particularly target the young generation who enjoy and are willing to spend on snacks.

To capture the market demand of snacks, we will further leverage our competitive advantage of multiple retail sales channels and good relationship with supermarket customers. We will seek to open more concessionary counters in supermarket stores in provinces where we currently operate and have strong brand presence, for example, Jiangxi Province, as well as the Southwestern China region, such as Sichuan Province. We intend to enhance our brand image and consumer loyalty to our snack products through direct interaction with consumers at our concessionary counters in the supermarket stores. We plan to standardise the concessionary counter layout, uniforms of our promoters, product displays and product prices with an aim to build a unified and unique brand profile of our snack products in order to differentiate us from other brands of snacks in the market. Our sales through concessionary counters recorded a higher year-to-year or period-to-period revenue growth of 32.5% in FY2020, 30.7% in FY2021 and 19.5% in 6M2022 as compared to our overall year-to-year revenue decrease of 4.9% in FY2020 and year-to-year or period-to-period revenue growth of 20.9% in FY2021 and 14.7% in 6M2022. Our Directors consider that concessionary counter had been proven a successful model based on its sales performance during the Track Record Period, and the continuous expansion of our concessionary counter network will increase our sales of snack products.

Moreover, we will also seek to increase sales of snack products through more frequent customer visits to our retailer customers including supermarkets and grocery stores with an aim to increase our direct sales to these retail sales channels. Our sales representatives will visit our existing customers or potential customers more frequently to promote our snack products and explore sales opportunities. As we have established long-term and stable business relationship with some renowned nation-wide supermarket chains such as Customer Group A and Customer Group C as well as famous local supermarket chains such as Customer B and Jiangxi Guoguang Group, we consider there is potential for us to make further sales to new stores opened by these supermarket customers in Jiangxi Province, Zhejiang Province, Hubei Province and other provinces where we have been making direct sales to, as well as their supermarket stores in provinces where we currently have yet to make sales to. In FY2020, we had successfully secured new orders from Customer Group A's supermarket stores in Sichuan Province, and we will continue to develop and grasp sales opportunities with other supermarket customers going forward. In this regard, we plan to increase our resources to organise marketing and promotional activities with supermarkets, for example, lucky draws, free gifts, free taste campaigns to shoppers. We believe these activities are win-win to us as well as our supermarket customers, which attract customer traffic to the supermarket stores on the one hand, and boost sales of our snack products on the other hand.

In order to effectively promote our brand and snack products to end consumers, which we believe will in turn drive the direct sales to our retailer customers, we intend to increase our marketing and advertising efforts. We plan to advertise our snack products through traditional media such as television commercials and radio broadcasts, as well as advertisement at high-traffic locations such as train stations, airports and bus stations. Moreover, we also intend to promote our snack products on social media such as WeChat, which is the most popular Chinese instant messaging platform, to reach a wide consumer group across China. As young generation is one of our key targeted consumer groups, we will organise promotion and sales events in high schools or tertiary education institutions to promote our snack products. We also plan to open short-term pop-up stores or organise short-term sales events in shopping malls to promote our brands and snack products with an aim to offer fun experience, as compared to traditional shopping in supermarkets and grocery stores, to vitalise our brands and build brand loyalty to our snack products. We will also explore opportunities of business cooperation with popular shops among young generation such as tea shops, coffee shops, karaoke stores and movie theatres to cross-sell our snack products.

For further 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.

Apart from increasing production of our popular snack products, we also consider to introduce new flavours to our existing snack products to attract customers who are keen to try and experiment with new flavours. We value the importance of product development and necessity to introduce new products to keep us competitive in the snack food industry. We believe consumers are constantly evolving with their tastes and preferences change with them. We will continuously develop new snack products to ensure we stay current on consumer trends. We intend to introduce new vegetable snacks such as mushrooms and new meat snacks such as boneless chicken feet, beef jerky, pork trotters, quail eggs and quail meat snacks. We have conducted our internal research on popularity of different snack 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 sales 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 vegetable and 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, which is also supported by our growth in revenue generated from sales of our own-branded vegetable snacks and own-branded meat snacks in 6M2022 as compared to 6M2021.

Our Directors are of the view that, based on the utilisation rates during the Track Record Period, if our 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%, and 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 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. The new factory building will be located within the same land parcel of the existing Guangchang Plant. 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 licence, 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 vegetable snacks with designed annual production capacity of approximately 3,000 tonnes and two production lines for 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.

During the Track Record Period, the gross profit margin of our dried food products generally declined. For example, the gross profit margin of our dried delicacies, dried aquatic products and grains decreased from approximately 37.4% to 30.4%, 37.2% to 28.6% and 40.0% to 33.9%, respectively, from FY2019 to 6M2022. In contrast, our gross profit margin for own-branded vegetable snacks continuously improved from approximately 28.6% for FY2019 to 40.1% for 6M2022. Despite the gross profit margin of our own-branded meat snacks decreased from approximately 47.9% for FY2021 to approximately 34.4% for 6M2022, it still had a better gross profit margin than our other product lines. Therefore, considering that our own-branded snacks generally generate higher gross profit margin than dried food products, we also plan to continuously expand our product offerings of own-branded 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 snacks. We consider that a separate production line specialising in product development could minimise disruption to the production of our vegetable snacks and 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.

As advised by our PRC Legal Advisers, under PRC laws, construction projects are subject to government supervision and approval procedures, including but not limited to project filings, project planning approvals, environment protection approvals, the pollution discharge permits, work safety approvals, fire protection approvals, and the completion of inspection and acceptance by relevant authorities. These procedures are routine in nature. Considering that the new factory buildings will be located within the same land parcel of the existing Guangchang Plant and in line with the planning of the Guangchang Industrial Zone, we together with our PRC Legal Advisers do not foresee any impediment for us to obtain such approvals or complete the relevant procedures.

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) (the "**Management Committee**"), 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. As at the Latest Practicable Date, based on our negotiation with the Management Committee, the Management Committee was in process of finalising the land grant arrangement and it expected to grant us the land parcel by June 2023. The size of land parcel is capable of constructing a factory building with production lines of maximum annual production volume of approximately 13,300 tonnes of quail eggs and quail meat snacks. 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. Assuming we have obtained the land parcel by June 2023, we expect to complete construction preparation work such as selecting construction contractors and confirming construction plans by March 2024, commence construction works in April 2024, install the production lines for testing in August 2025 and complete inspection check and begin commercial production by end of 2025. We currently expect to incur capital expenditure of approximately RMB139.6 million, including land costs of approximately RMB7.2 million, construction costs of approximately RMB55.7 million, costs for purchase and installation of production lines of approximately RMB69.8 million and miscellaneous expenses of approximately RMB6.9 million. However, the aforesaid plan is still at a preliminary stage and subject to our further research and studies and further negotiation with the Management Committee. We plan to fund this project, if materialised, using our operating cash inflows and, if required, bank loans.

As advised by our PRC Legal Advisers, the Company shall perform relevant procedures for obtaining the land parcel for planned new factory in Nanchang, including but not limited to the procedures for land auction or quotation, signing the land transfer contract, paying the land transfer fee, and obtaining the certificate of land. As these procedures are routine in nature, as advised by our PRC Legal Advisers, we do not foresee any impediment for us to obtain such approvals or complete the relevant procedures.

It is expected that the total investment costs for our expansion of Guangchang Plant would be approximately RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**). The total investment costs include construction costs of approximately RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) and purchase cost of production lines of approximately RMB **[REDACTED]** (equivalent to approximately HK$**[REDACTED]**). 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 (i) profit breakeven (i.e. the income contributed by the new production lines equals to the operating expenses (including depreciation of the production lines) incurred by them) within one month upon commencement of operation for both of our new vegetable snack production line and new meat snack production line as we do not expect to sell our snack products at loss; and (ii) 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 vegetable snack production line and new meat snack production line in approximately seven years and six years, respectively. The estimated profit breakeven and investment payback period are calculated on the following assumptions: (i) an annual sales growth of 12% for both of our vegetable snacks and meat snacks, with reference to (a) the historical growth rate in our revenue generated from our vegetable snacks during the Track Record Period; (b) 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 (c) 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; (ii) estimated operating costs, which mainly consisted of the cost of sales, with reference to the historical operating costs during the Track Record Period; and (iii) our vegetable and meat snack products will continue to be sold to our customers at positive gross profit margin as we did during the Track Record Period. Profit 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.

For our existing vegetable and meat snack production lines in Guangchang Plant, we also achieved profit breakeven within one month upon commencement of operation as we did not and do not sell our snack products (including fragrant lotus seeds which we no longer sell since FY2021) at loss. In addition, we had already achieved investment payback for our existing vegetable and meat snack production lines, which have investment payback periods of approximately 2.5 years and 4 years, respectively. Our historical investment payback periods for the existing production lines were shorter than the expected investment payback periods for the new production lines because (i) we acquired Guangchang Plant with existing factory buildings in late 2017, therefore we saved the construction time of approximately 16 months (i.e. the expected construction time of the new factory building for our new production lines); (ii) for purpose of calculation, we assumed an annual sales growth of 12% for both of our vegetable snacks and meat snacks as aforesaid, which is lower than the historical sales growth rate of our vegetable snacks and meat snacks during the Track Record Period; and (iii) when we first expanded into snack production, we prudently installed smaller scale production lines with relatively low-end machinery and equipment to test market acceptance of our snack products. For our new vegetable and meat snack production lines, we intend to build a new factory building and install machinery and equipment with more advanced and automated functions to further expand our snack production business. We believe the increasing automation and gradual reduction of the manual element in our production process will improve our production efficiency and help to maintain our consistent product quality in the long run.

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 FY2020, leveraging our established relationship with Customer Group A and track record in supplying dried food products and snacks to its supermarket outlets in Jiangxi Province, Hunan Province, Hubei Province, Shaanxi Province and Fujian Province, we successfully secured orders of snack products such as nuts and biscuits for its outlets in Sichuan Province. In FY2021, Customer Group A further ordered our own-branded vegetable and meat snacks for its supermarket outlets in Sichuan Province, which our Directors believe that the spicy flavours of our own-branded snacks suit the local consumers' tastes and preferences. Accordingly, our revenue from Sichuan Province (including Chongqing) in FY2021 significantly increased by approximately RMB65.9 million as compared to FY2020. For further details, please refer to the paragraph headed "Sales Network — Geographical presence" in this section. 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 product 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 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, FY2021 and 6M2022, revenue generated from supermarkets amounted to approximately RMB208.1 million, RMB196.0 million, RMB230.8 million and RMB96.9 million, accounting for approximately 70.0%, 69.3%, 67.5% and 58.0% 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 vegetable snacks and 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 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 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) 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 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 and by customer type during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Manufacturing										
Supermarkets	173,058	58.2	176,082	62.2	175,202	51.2	69,375	47.6	81,123	48.6
Concessionary counters	11,580	3.9	13,220	4.7	20,050	5.9	9,724	6.7	29,057	17.4
Grocery stores	1,588	0.5	1,891	0.6	6,603	1.9	2,537	1.7	4,134	2.5
Corporate customers	36,152	12.2	33,867	12.0	46,814	13.7	20,662	14.2	30,486	18.2
E-commerce	641	0.2	3,889	1.4	1,588	0.5	1,412	1.0	37	0.0
Others *(Note)*	416	0.1	—	N/A	95	0.0	96	0.1	—	N/A
Subtotal	223,435	75.1	228,949	80.9	250,352	73.2	103,806	71.3	144,837	86.7
Trading										
Supermarkets	35,039	11.8	19,958	7.1	55,549	16.2	23,156	15.9	15,780	9.5
Concessionary counters	17,618	5.9	25,477	9.0	30,509	8.9	16,141	11.1	1,861	1.1
Grocery stores	—	N/A	44	0.0	1	0.0	—	N/A	—	N/A
Corporate customers	21,063	7.1	8,384	3.0	4,447	1.3	1,714	1.2	4,478	2.7
E-commerce	200	0.1	55	0.0	1,140	0.4	778	0.5	—	N/A
Others *(Note)*	43	0.0	22	0.0	—	N/A	—	N/A	—	N/A
Subtotal	73,963	24.9	53,940	19.1	91,646	26.8	41,789	28.7	22,119	13.3
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	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 sell our own-branded products under the manufacturing business and products of other brands under the trading business model. Our manufacturing business and trading business share the same customer base and sales channels. Our trading business supplements our manufacturing business by diversifying our product and brand portfolios to better cater our customers' requirements. Under the trading business model, we source food products which we do not produce, for example, biscuits, jelly and turtle jelly, from third-party suppliers and resell them to our customers. We also sell similar or same products such as cuttlefish and dried mushrooms in our own brands as well as third-party brands or without brands. Such arrangement was in place during the Track Record Period because (i) we had to source food products from external suppliers occasionally where our production capacity or production schedule could not meet our customers' orders, and (ii) we strategically maximised the use of our sales channels to carry a mixture of own-branded products and products of other brands or without brands to offer more product and brand choices to our customers in order to boost our Group's sales. To the best knowledge of our Directors, our supermarket customers generally offer the same product in multiple brands on their shelves to offer sufficient product and brand choices to their consumers. Therefore, we also received orders from them for products of third-party brands along with our own-branded products. These third-party-branded products may be entirely the same as our own-branded products or vary with us in terms of packaging size, product origin or product quality. Our Directors consider that accepting such orders as an "all-in-one supplier" are crucial to maintain our good relationship with supermarket customers in a highly competitive market, and such orders also generate revenue to our Group and contribute to our profitability. Going forward, we have a strategy to prioritise the promotion and sales of our own-branded products, which we believe will enhance our overall brand image and contribute to our future growth, and gradually reduce the sales of products of third-party brands or without brands. In 6M2022, our revenue generated from trading business decreased to 13.3% as a percentage to our total revenue, as compared to 26.8% for FY2021.

During the Track Record Period, supermarkets and concessionary counters remained our major sales channels under both of our manufacturing business model and trading business model.

Our direct sales to supermarkets slightly decreased from approximately RMB208.1 million for FY2019 to approximately RMB196.0 million for FY2020, which was primarily due to the shift of sales from direct sales made to Customer Group C to sales made at concessionary counters in Customer Group C's supermarket stores, and the decrease in direct sales of grains products to Customer B. Our Directors consider that the gradual stabilisation of the outbreak of COVID-19 and our introduction of meat snack series had led to an increase of our direct sales to supermarkets in FY2021. We recorded a period-to-period increase in direct sales to supermarkets for 6M2022, which was primarily attributable to our sales of snack products to Customer Group A's supermarket stores in Sichuan Province. Among which, the sales of our own-branded products (i.e. the sales under our manufacturing operation) remained relatively stable, while the sales of third-party branded or unbranded products under our trading operation fluctuated significantly during the Track Record Period, which our Directors believe to be a reflection of the consumers' taste and preference at the relevant time. As we strategically prioritise promotion and sales of our own-branded products for our long-term business development, and position our trading business as supplementary to our manufacturing business, our sales of third-party branded or unbranded products to supermarket customers under trading operation significantly decreased from approximately RMB23.2 million for 6M2021 to approximately RMB15.8 million for 6M2022.

Our sales through concessionary counters demonstrated an increasing trend during the Track Record Period, amounting to approximately RMB29.2 million, RMB38.7 million, RMB50.6 million, RMB25.9 million and RMB30.9 million for FY2019, FY2020, FY2021, 6M2021 and 6M2022, respectively. Among which, the sales of our own-branded products (i.e. the sales under our manufacturing operation) increased significantly from approximately RMB11.6 million for FY2019 to approximately RMB13.2 million for FY2020 and to approximately RMB20.1 million for FY2021, and from approximately RMB9.7 million for 6M2021 to approximately RMB29.1 million for 6M2022. Our Directors consider that such increase was mainly attributable to our enhanced brand awareness resulted from our effective brand promotion at our concessionary counters and the introduction of own-branded meat snack series.

Please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" in this document for further discussion.

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 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:

- 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 lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Snacks	128,419	43.2	137,426	48.6	171,059	50.0	73,733	50.6	77,467	46.4
Dried delicacies	86,800	29.2	70,454	24.9	87,410	25.6	37,375	25.7	50,471	30.2
Dried aquatic products	46,716	15.7	52,965	18.7	59,002	17.3	22,712	15.6	29,299	17.6
Grains	28,791	9.7	17,899	6.3	21,358	6.2	10,501	7.2	8,188	4.9
Seasonings and others	6,672	2.2	4,145	1.5	3,169	0.9	1,274	0.9	1,531	0.9
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

The tables below set forth the sample product pictures, typical selling price as at 30 June 2022 and typical shelf life of our key products under our five product lines:

Snacks

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
Pistachios		Loose package: RMB110.6/kilogram Per can (220 grams): RMB30.97 Per packet (500 grams): RMB66.37	18
Marinated chicken wing tips		Loose package: RMB57.5/kilogram Per packet (90 grams): RMB9.8	12
Spicy enoki mushroom		Loose package: RMB38.2/kilogram Per box (400 grams): RMB19.3	12

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
Spicy bamboo shoot crisps		Loose package: RMB34.7/kilogram Per box (520 grams): RMB21.7	12
Roasted duck necks . .		Loose package: RMB57.5/kilogram Per packet (90 grams): RMB9.8	12
Spicy kelp		Loose package: RMB28.0/kilogram 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	12
Black fungi		Loose package: RMB77.5/kilogram Per packet (500 grams): RMB38.8	18

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
Dried mushroom		Loose package: RMB89.2/kilogram Per packet (80 grams): RMB13.8 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: RMB117.5/kilogram Per packet (408 grams): RMB55.05	12
Dried large cuttlefish .		Loose package: RMB151.8/kilogram Per packet (250 grams): RMB42.8 Per packet (500 grams): RMB69.7	12
Dried whitebait		Loose package: RMB256.9/kilogram	12
Dried shrimp.		Loose package: RMB78.4/kilogram Per packet (100 grams): RMB10.5	12

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
Algae		Loose package: RMB75.5/kilogram Per packet (50 grams): RMB5.05 Per packet (100 grams): RMB10.55	12

Grains

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
Green beans		Loose package: RMB13.4/kilogram Per packet (400 grams): RMB4.9 Per packet (2.5 kilograms): RMB35.8	12
Rice		Loose package: RMB5.3/kilogram Per packet (500 grams): RMB4.4	8
Millet		Loose package: RMB12.8/kilogram Per packet (400 grams): RMB5.5 Per packet (one kilogram): RMB14.2	8
Yellow millet		Loose package: RMB19.0/kilogram Per packet (380 grams): RMB8.2	12

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
Peanuts		Loose package: RMB23.1/kilogram Per packet (400 grams): RMB8.7	12

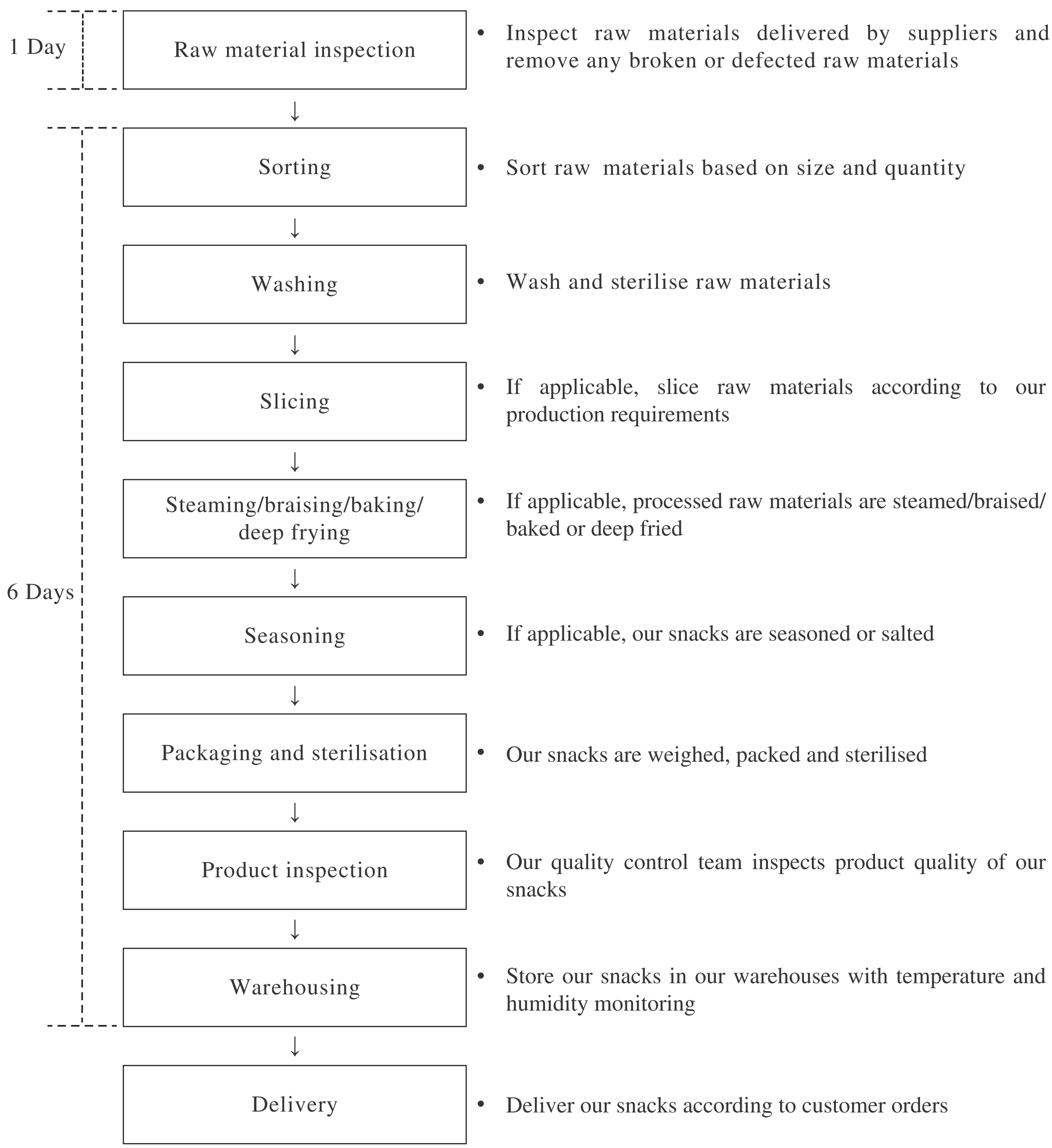
Seasonings and others

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		Approximately	*Months*
Rock sugar		Loose package: RMB10.9/kilogram Per packet (458 grams): RMB5.6 Per packet (2.5 kilograms): RMB33.6	18
White sugar.		Loose package: RMB9.5/kilogram Per packet (500 grams): RMB6.0	18
Crystalised sugar.		Loose package: RMB15.8/kilogram Per packet (458 grams): RMB6.9 Per packet (2.5 kilograms): RMB27.3	18

OUR PRODUCTION

Production process

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



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

1 Day	Raw material inspection	• Inspect raw materials delivered by suppliers and remove any broken or defected raw materials
1 Day	Sorting	• Sort raw materials based on size and quantity
	Packaging and sterilisation	• Our dried food products are weighed, packed and sterilised
	Product inspection	• Our quality control team inspects product quality of our dried food products
	Warehousing	• Store the dried food products in our warehouses with temperature and humidity monitoring
	Delivery	• Deliver the dried food products according to customer orders

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 30 June 2022, we operated two production facilities in Jiangxi province, the PRC, namely Nanchang Plant and Guangchang Plant. Please refer to the paragraph headed "Properties" in this section for details of our Nanchang Plant and Guangchang Plant.

Nanchang Plant consists of packaging lines and warehouses, and primarily processes and packages our dried food products. Our equipment in Nanchang Plant mainly includes weighting machines, dehydrating machines and packaging machines to process and pack our dried delicacies, dried aquatic products, grains, nuts (other than fragrant lotus seeds) and sugar products. Guangchang Plant consists of production lines and warehouses, and primarily produces our snacks (including fragrant lotus seeds before we ceased to produce such products in FY2021). Our food processing and cooking equipment in Guangchang Plant, for example, slicing machines, washing machines, braising and steaming machines, weighting machines, sterilising machines, dehydrating machines and packaging machines are installed to wash, cut, cook and season the food ingredients and pack our snack products. Our production lines in Guangchang Plant and Nanchang Plant are not designed for and cannot be used interchangeably because our vegetable and meat snack products require cooking and seasoning which can only be processed by our cooking equipment installed in Guangchang Plant. In addition, our production lines for vegetable snacks and meat snacks in Guangchang Plant are not designed for interchangeable use because the processing procedures (i.e. for example, only meat ingredients are required to be defrosted and marinated), cooking methods (i.e. for example, vegetable snacks generally require braising only while meat snacks generally requires steaming, braising and deep-frying) and packaging specifications (i.e. for example, vegetable snacks only require low-temperature sterilisation while meat snacks require high-temperature sterilisation) are different, such that extra costs and time will be incurred in adjusting and testing the production lines in case we switch our vegetable snack production lines to produce meat snacks and vice versa.

Designed production capacity, actual production volume and utilisation rate

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

Production facilities	Production Lines	Key Products	Revenue lines by products	FY2019			FY2020			FY2021			6M2021			6M2022		
				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)]	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)*	%	*(tonnes)*	*(tonnes)*	%	*(tonnes)*	*(tonnes)*	%
Guangchang Plant	Vegetable snack production line	Fragrant lotus seeds[(3)] and vegetable snacks	Own-branded vegetable snacks and nuts (i.e. fragrant lotus seeds only)	1,553[(3)]	1,589[(3)]	102.3[(3)]	1,671[(3)]	2,469[(3)]	147.8[(3)]	1,789[(3)]	1,629[(3)]	91.1[(3)]	894[(3)]	895[(3)]	100.1[(3)]	894[(3)]	659[(3)]	73.7[(3)]
	Meat snack production line	Meat snacks	Own-branded meat snacks	N/A[(4)]	N/A[(4)]	N/A[(4)]	N/A[(4)]	N/A[(4)]	N/A[(4)]	1,711	1,555	90.9	707	753	106.5	1,050	816	77.7
	Subtotal			1,553	1,589	102.3	1,671	2,469	147.8	3,500	3,184	91.0	1,601	1,648	102.9	1,944	1,475	75.9
Nanchang Plant.	Dried food product production line	Dried delicacies, dried aquatic products, grains, nuts (other than fragrant lotus seeds) and sugar products	Own-branded dried delicacies, dried aquatic products, grains, nuts (other than fragrant lotus seeds) and seasoning and other products	4,420	5,423	122.7	4,420	3,517	79.6	4,420	4,174	94.4	2,210	2,220	100.5	2,210	1,535	69.5

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) In FY2019 and FY2020, 1,345 tonnes and 548 tonnes of fragrant lotus seeds were included in the calculation of actual production volume and utilisation rate of our vegetable snack production line. Since FY2021, we ceased to produce fragrant lotus seeds in anticipation of increasing cost of lotus seeds and declining market demand based on the decreasing sales of such products in FY2020 as compared to FY2019.

(4) Our production line for meat snacks only commenced operation in January 2021.

(5) In 9M2022, the utilisation rate of our production lines in Guangchang Plant and Nanchang Plant was 86.5% and 68.7%, respectively. For our Guangchang Plant, our vegetable snack production line and meat snack production line recorded utilisation rate of 86.9% and 86.2%, respectively.

In respect of our 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 vegetable snack production line in 2018, we took a prudent approach by installing a smaller scale production line to test market acceptance of our vegetable snack products. In view that the utilisation rate of our 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 actual production volume, which was primarily attributable to our decision to cease producing fragrant lotus seeds in anticipation of the increasing cost of lotus seeds and declining market demand based on the decreasing sales of such products in FY2020 as compared to FY2019; and (iii) our strategy to promote our newly launched meat snacks in FY2021. For details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (b) Revenue by product lines — Snacks" in this document. Taking into account our meat snack production line introduced in FY2021, our production volume of snacks increased as a whole with utilisation rates of both production lines exceeding 90.0% in FY2021.

The utilisation rates of our snacks production lines for 6M2022 were lower than that for FY2021 because (i) we accumulated higher level of inventories by year end of FY2021 to prepare for the orders in the first quarter of FY2022 for the preparation of the Chinese New Year holiday; (ii) our production lines were closed during the Chinese New Year holiday in February 2022; and (iii) we installed additional equipment and machines to our meat snack production line in August 2021, resulting in increased annual production capacity for four months only for FY2021 but six months for 6M2022 for the purpose of calculation of the designed production capacity.

Our utilisation rate of vegetable snack production line and meat snack production line decreased from 100.1% and 106.5% in 6M2021, respectively, to 73.7% and 77.7% in 6M2022, respectively. For 6M2022, as we have accumulated a higher level of inventories of vegetable snacks at the end FY2021 than we did at the end of FY2020, we therefore adjusted the production volume of vegetable snacks to avoid excessive inventories and resulted in a lower period-to-period utilisation rate of the vegetable snack production line. For our meat snack production line, the designed production capacity in 6M2022 increased as compared to 6M2021 for calculation purposes because we installed additional equipment and machines in August 2021, therefore resulting in lower period-to-period utilisation rates for 6M2022 despite there was period-to-period increase in actual production volume of our meat snack products. For 9M2022, our utilisation rate of vegetable snack production line and meat snack production line increased as compared to that for 6M2022 because we generally start to increase our production volume in the third quarter to prepare for orders for the Golden Week holiday and the Chinese New Year holiday.

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 own-branded dried food products, particularly dried delicacies and grains, decreased. Due to the outbreak of COVID-19 during Chinese New Year in 2020, which was supposed to be the peak consumption season of dried food products, a number of offline retails shops were closed temporarily with suspension of operation of shopping malls and supermarkets in different provinces. Therefore, sales of dried food products from offline sales channels significantly decreased, resulting in the market size of dried food products in Jiangxi Province decreased by 2.1% from 2019 to 2020. Our Directors believe that our dried delicacies such as dried mushroom and dried bamboo shoots are popular ingredients for festival dishes as well as festival gifts to families and friends in Chinese New Year, therefore, the outbreak of COVID-19 during Chinese New Year in 2020 had negatively impacted our sales of dried delicacies in the period. Our production volume of grains also substantially decreased due to the decrease in direct sales to Customer Group C and sales through our concessionary counters operated with Customer Group C of rice under our own brand by approximately 1,484 tonnes. Due to the increase in raw material price of rice, the selling price of our own-branded rice also increased in FY2020. Although we tried to pass on rising costs to our customers, our customers were price sensitive. As a result, Customer Group C reduced its order of our own-branded rice. Moreover, we also reduced our production of dried delicacies due to declining gross profit margins as a result of increasing prices of raw materials such as dried mushroom and black fungi during the period.

In FY2021, our utilisation rate resumed to 94.4% due to the increase in customer orders for our own-branded grains and dried aquatic products. Since the outbreak became stabilised in March 2020, according to Frost & Sullivan, Jiangxi Province's dried food products market rebounded with a growth rate of 5.0% from 2020 to 2021. Our sales and hence production of our own-branded grains and dried aquatic products also increased in line with the market recovery. In addition, our Directors believe that the customer traffic of supermarkets gradually increased in FY2021 following the relaxation of pandemic prevention and control measures, which contributed to the growth in sales generated from our direct sales to supermarket customers and concessionary counters at supermarkets, resulting in our increased production of dried food products. For details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (b) Revenue by product lines" in this document.

The utilisation rate of our dried food product production line decreased from 100.5% in 6M2021 to 69.5% in 6M2022 because (i) our supermarket customers did not organise promotion for our nuts products which resulted in a lower period-to-period production volume on our nuts products; and (ii) we strategically reduced production of rice and millet as the average selling price of rice is relatively low as compared to its average transportation cost due to its heavy weight, and the costs of millet increased in FY2022, which resulted in reducing gross profit margin on millet. In 9M2022, utilisation rate of our dried food product production line remained relatively stable at 68.7%.

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 vegetable snack production line and the dried food product production line exceeded 100% in particular financial years. In FY2019, FY2020, FY2021 and 6M2022, we employed 1,451, 2,646, 1,048 and 254 temporary production workers, respectively, to work in aggregate of 246,416 hours, 518,473 hours, 218,578 hours and 52,201 hours, respectively. We recruited all temporary production workers by ourselves during the Track Record Period, and did not involve any recruitment agencies or labour despatch arrangement. In FY2019, FY2020, FY2021 and 6M2022, we paid our temporary production workers in aggregate of approximately RMB2.8 million, RMB6.0 million, RMB2.7 million and RMB0.6 million, respectively. According to the Labor Contract Law, the Group is required to pay work-related injury insurance, for the temporary workers based on 0.2% of their wages, but payment of social insurance and housing provident fund is not required. The Group estimates that the unpaid work-related injury insurance amounted to approximately RMB5,600 for FY2019, RMB5,400 for FY2021 and RMB1,200 for 6M2022. For FY2020, payment of work-related injury insurance was waived as a relief measures in response to the pandemic. Although the Group did not pay work-related injury insurance for the temporary workers due to their high mobility, the Labor Contract Law or other relevant labour laws and regulations do not specify any penalty for failure to pay work-related injury insurance for temporary workers. Based on the written confirmations from Nanchang Human Resources and Social Security Bureau (南昌縣人力資源和社會保障局) and Guangchang Human Resources and Social Security Bureau (廣昌縣人力資源和社會保障局), which are the relevant competent regulatory authorities for Nanchang Plant and Guangchang Plant, respectively, and had been fully informed of the details of the Group's use of temporary production workers during the Track Record Period and reckoned the fact that these temporary workers were usually recruited on impromptus basis and without a pre-determined employment period, which rendered it to be impracticable to take out work-related injury insurance for them, the Group had not violated the requirements of the Labor Contract Law regarding the use of temporary workers, and no administrative penalty will be imposed against the Group regarding the use of temporary workers. On the basis that (i) the Labor Contract Law or other relevant labour laws and regulations do not specify any penalty for failure to pay work-related injury insurance for temporary workers; and (ii) the relevant competent regulatory authorities for

Nanchang Plant and Guangchang Plant acknowledged that the Group did not pay work-related injury insurance for temporary workers during the Track Record Period but confirmed that the Group had not violated the requirements of the Labor Contract Law and no administrative penalty will be imposed against the Group, our PRC Legal Advisers are of the view that there was no material non-compliance of the applicable PRC laws and regulations in relation to the Group's use of temporary production workers. The Company has signed full time contracts with all temporary production workers and paid social insurance and housing provident fund for them since September 2022. The Company neither has any temporary production workers since then nor has plan to hire temporary production workers any more in the future. Taking into account (i) the increase in customer orders and hence production needs together with our expansion plan with regard to our Guangchang Plant; (ii) the difficulties and uncertainties to successfully recruit sufficient temporary workers in peak seasons as our competitors might also require and recruit temporary workers in the market at the same time; (iii) full-time work offer is more appealing and attractive to production workers as compared to temporary work offer; and (iv) a stable supply of experienced production workers who are familiar with our product requirements, production procedures and quality standards could smooth our production operation, enhance our efficiency and reduce our costs and time incurred to provide introductory training to new workers at production lines, our Directors consider that the use of full-time production workers are commercially beneficial and better suit our production and operation needs as well as maintain our product quality. Our Directors do not expect the extra social insurance and housing provident contribution resulting from the change to use of full-time workers would have any material financial impact on the Group's financial performance.

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 vegetable snacks and 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.

The following table sets forth the estimated remaining useful life of our key production equipment as at the Latest Practicable Date:

Guangchang Plant

Production equipment	Key Functions	Average length of time in use (years)	Average remaining useful life (years)
Multi-functional vegetable cutting machine	Cleaning and slicing of vegetables	10	6
High-speed slitting machine	Chopping and cutting	10	9
Steamer	Steaming	10	9
Oven	Baking	10	9
Vacuum packaging machine	Vacuum packaging	10	7
Sterilizer	Sterilising	6	2

Nanchang Plant

Production equipment	Key Functions	Average length of time in use (years)	Average remaining useful life (years)
Dryer	Drying	10	4
Roasting machine	Roasting	10	7
Mixer	Mixing	10	8
Semi-automatic round bottle labelling machine	Labelling brand logo	10	7
Vacuum packaging machine	Vacuum packaging	10	5
Packaging machine	Packaging	10	7

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 30 June 2022, 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 vegetable snacks and 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.

- *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 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.

- *Concessionary counters.* 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.

- *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		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Retailers										
Supermarkets	208,097	70.0	196,040	69.3	230,751	67.5	92,531	63.6	96,903	58.0
Grocery stores	1,588	0.5	1,935	0.7	6,604	1.9	2,537	1.7	4,134	2.5
Subtotal	209,685	70.5	197,975	70.0	237,355	69.4	95,068	65.3	101,037	60.5
Corporate customers	57,215	19.2	42,251	14.9	51,261	15.0	22,376	15.4	34,964	21.0
Concessionary counters	29,198	9.8	38,697	13.7	50,559	14.8	25,865	17.8	30,918	18.5
E-commerce	841	0.3	3,944	1.4	2,728	0.8	2,190	1.5	37	0.0
Others *(Note)*	459	0.2	22	0.0	95	0.0	96	0.0	—	N/A
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	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.

The following table sets forth the movement of our sales channels during the Track Record Period:

	FY2019	FY2020	FY2021	6M2022
As at the beginning of the year/period				
Supermarkets	21	27	24	22
Concessionary counters *(Note 1)*	8	9	11	8
Grocery stores	6	6	3	52
Corporate customers	92	173	213	317
E-commerce	2	3	1	2
Others *(Note 2)*	16	27	6	5
	145	245	258	406

	FY2019	FY2020	FY2021	6M2022
Add: new customers who purchased from us during the year/period				
Supermarkets	6	5	2	—
Concessionary counters *(Note 1)*	1	2	—	—
Grocery stores	—	—	49	16
Corporate customers	81	143	165	28
E-commerce	1	—	1	—
Others *(Note 2)*	11	3	5	—
	100	153	222	44
Less: prior year/period customers who did not purchase from us during the year/period				
Supermarkets	—	(8)	(4)	(11)
Concessionary counters *(Note 1)*	—	—	(3)	—
Grocery stores	—	(3)	—	(35)
Corporate customers	—	(103)	(61)	(183)
E-commerce	—	(2)	—	(1)
Others *(Note 2)*	—	(24)	(6)	(5)
	—	(140)	(74)	(235)
As at the end of the year/period				
Supermarkets	27	24	22	11
Concessionary counters *(Note 1)*	9	11	8	8
Grocery stores	6	3	52	33
Corporate customers	173	213	317	162
E-commerce	3	1	2	1
Others *(Note 2)*	27	6	5	0
	245	258	406	215

Notes:

(1) Refers to the number of supermarket customers which we have operated concessionary counters at their supermarket stores.

(2) 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. For FY2019, FY2020, FY2021 and 6M2022, sales to our retailer customers accounted for approximately 70.5%, 70.0%, 69.4% and 60.5% of our total revenue for the same year or period, respectively. We generally enter into sales agreement directly with the headquarters of our supermarket 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

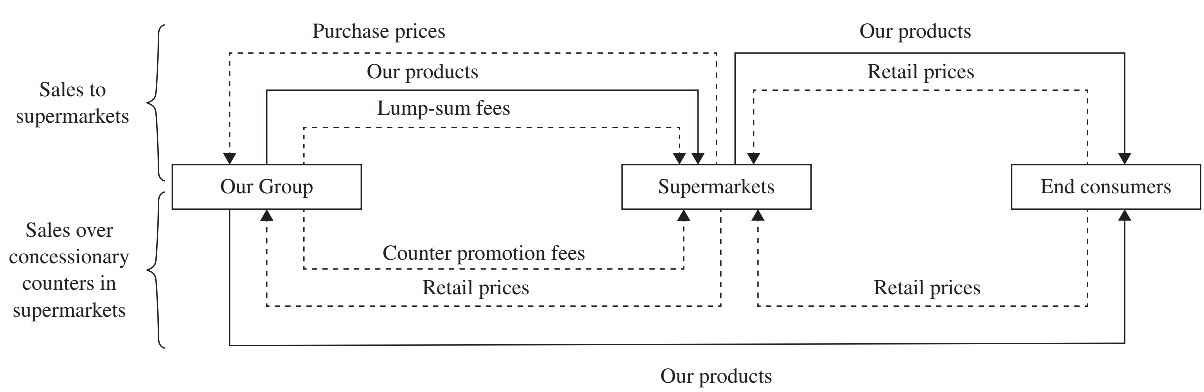
Save for purchase orders for smaller orders, we generally enter into sales agreement with our retailer customers on an annual basis. These agreements specify a variety of terms, including the payment method, credit terms and delivery arrangements. During the Track Record Period, we did not experience 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 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 Consolidated 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, FY2021 and 6M2022, sales over concessionary counters accounted for approximately 9.8%, 13.7%, 14.8% and 18.5% of our total revenue for the same year or period, 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.

The following table sets forth the movement of the number of our concessionary counters operated in supermarkets during the Track Record Period:

	FY2019	FY2020	FY2021	6M2022
Customer Group A (Note 1)				
As at the beginning of the year/period				
— Jiangxi Province	13	13	12	12
— Hubei Province	6	6	7	11
— Hunan Province	8	8	8	9
— Shaanxi Province	2	2	2	2
— Fujian Province	4	5	5	6
	33	34	34	40
Add: concessionary counter opened during the year/period				
— Jiangxi Province	—	—	—	1
— Hubei Province	—	1	4	—
— Hunan Province	—	—	1	—
— Shaanxi Province	—	—	—	—
— Fujian Province	1	—	1	—
	1	1	6	1
Less: concessionary counter closed during the year/period				
— Jiangxi Province	—	(1)	—	(1)
— Hubei Province	—	—	—	(1)
— Hunan Province	—	—	—	—
— Shaanxi Province	—	—	—	—
— Fujian Province	—	—	—	—
	—	(1)	—	(2)
As at the end of the year/period				
— Jiangxi Province	13	12	12	12
— Hubei Province	6	7	11	10
— Hunan Province	8	8	9	9
— Shaanxi Province	2	2	2	2
— Fujian Province	5	5	6	6
	34	34	40	39

	FY2019	FY2020	FY2021	6M2022
Customer Group C *(Note 2)*				
As at the beginning of the year/period				
— Jiangxi province	30	30	44	54
— Zhejiang province	7	7	8	—
— Jiangsu province	8	8	9	—
	45	45	61	54
Add: concessionary counter opened during the year/period				
— Jiangxi province	—	14	11	5
— Zhejiang province	—	1	—	—
— Jiangsu province	—	1	—	—
	—	16	11	5
Less: concessionary counter closed during the year/period				
— Jiangxi province	—	—	(1)	(2)
— Zhejiang province	—	—	(8)	—
— Jiangsu province	—	—	(9)	—
	—	—	(18)	(2)
As at the end of the year/period				
— Jiangxi province	30	44	54	57
— Zhejiang province	7	8	—	—
— Jiangsu province	8	9	—	—
	45	61	54	57
Jiangxi Guoguang Group *(Note 3)*				
As at the beginning of the year/period				
— Jiangxi Province	11	11	15	17
Add: concessionary counter opened during the year/period				
— Jiangxi Province	—	4	2	—
Less: concessionary counter closed during the year/period				
— Jiangxi Province	—	—	—	(1)
As at the end of the year/period				
— Jiangxi Province	11	15	17	16

	FY2019	FY2020	FY2021	6M2022
Customer L *(Note 4)*				
As at the beginning of the year/period				
— Jiangxi Province	—	—	5	6
Add: concessionary counter opened during the year/period				
— Jiangxi Province	—	5	1	—
Less: concessionary counter closed during the year/period				
— Jiangxi Province	—	—	—	—
As at the end of the year/period				
— Jiangxi Province	—	5	6	6
Customer M *(Note 5)*				
As at the beginning of the year/period				
— Jiangxi Province	—	—	2	2
Add: concessionary counter opened during the year/period				
—Jiangxi Province	—	2	—	—
Less: concessionary counter closed during the year/period				
—Jiangxi Province	—	—	—	—
As at the end of the year/period				
—Jiangxi Province	—	2	2	2
Customer Group N *(Note 6)*				
As at the beginning of the year/period				
— Jiangxi Province	3	3	2	1
Add: concessionary counter opened during the year/period				
— Jiangxi Province	—	—	—	—
Less: concessionary counter closed during the year/period				
— Jiangxi Province	—	(1)	(1)	—
As at the end of the year/period				
— Jiangxi Province	3	2	1	1

	FY2019	FY2020	FY2021	6M2022
Customer O *(Note 7)*				
As at the beginning of the year/period				
— Jiangxi Province	1	1	1	—
Add: concessionary counter opened during the year/period				
— Jiangxi Province	—	—	—	—
Less: concessionary counter closed during the year/period				
— Jiangxi Province	—	—	(1)	—
As at the end of the year/period				
— Jiangxi Province	1	1	—	—

Notes:

(1) For details of Customer Group A's background information, please refer to the paragraph headed "Customers — Our five largest customers" in this section. In FY2020, we closed one concessionary counter in Jiangxi Province as the sales performance did not meet our expectation, which was subsequently re-opened in 6M2022. In 6M2022, we further closed one concessionary counter in Jiangxi province as Customer Group A closed such supermarket outlet and one concessionary counter in Hubei province as the sales performance did not meet our expectation.

(2) For details of Customer Group C's background information, please refer to the paragraph headed "Customers — Our five largest customers" in this section. In FY2021, we closed all concessionary counters in Zhejiang Province and Jiangsu Province because the sales performance of such concessionary counters did not meet our Group's expectations. Our Directors consider that was due to the difference in consumer tastes and dietary habits in Zhejiang Province and Jiangsu Province as compared to Jiangxi Province, whereby local residents in Zhejiang Province and Jiangsu Province generally prefer fresh food products rather than dried food products. In addition, our popular dried delicacies such as dried mushrooms and black fungi in Jiangxi Province were less popular in Zhejiang Province and Jiangsu Province, which our Directors believe to their best knowledge that these dried delicacies are generally used as major ingredients in Jiangxi Province, whereas local people in Zhejiang Province and Jiangsu Province generally use these dried delicacies for side dishes. Accordingly, our Directors decided to close the concessionary counters in Zhejiang Province and Jiangsu Province. In Jiangxi Province, we closed one concessionary counter in FY2021 because Customer Group C closed such supermarket outlet, and further closed two concessionary counters in 6M2022 because Customer Group C closed one of such supermarket outlets and the sales performance of the other concessionary counters did not meet our expectation.

(3) For details of Jiangxi Guoguang Group's background information, please refer to the paragraph headed "Customers — Our five largest customers" in this section. We closed one concessionary counter in 6M2022 because the sales performance did not meet our expectation.

(4) Customer L is a limited liability company established in Jiangxi Province with registered capital of RMB50 million and its principal business is operation of supermarket business in Jiangxi Province.

(5) Customer M is a limited liability company established in Jiangxi Province with registered capital of RMB70 million and its principal business is operation of supermarket business in Jiangxi Province.

(6) Customer Group N comprises a company established in Jiangxi Province with registered capital of RMB54.6 million and its wholly-owned subsidiary established in Jiangxi Province with registered capital of RMB6 million, which principally operate supermarket business in Jiangxi Province. We closed one concessionary counter in FY2020 and one concessionary counter in 6M2022 because Customer Group N closed the relevant supermarket outlets.

(7) Customer O is a limited liability company established in Jiangxi Province with registered capital of RMB5 million and its principal business is operation of supermarket business in Jiangxi Province. We closed one concessionary counter in FY2021 because Customer O closed such supermarket outlet.

The following table sets forth the revenue generated from our concessionary counters operated in supermarkets during the Track Record Period:

	FY2019		FY2020		FY2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Customer Group A *(Note)*								
— Jiangxi Province	1,941	25.3	4,397	34.7	7,052	33.6	3,076	24.5
— Hubei Province	249	3.2	666	5.3	2,182	10.4	2,169	17.2
— Hunan Province	579	7.5	1,743	13.7	3,619	17.2	4,348	34.5
— Shaanxi Province	385	5.0	848	6.7	1,146	5.5	468	3.7
— Fujian Province	4,533	59.0	5,028	39.6	7,019	33.4	2,529	20.1
	7,687	100.0	12,682	100.0	21,018	100.0	12,590	100.0
Customer Group C *(Note)*								
— Jiangxi Province	16,937	93.7	21,456	93.1	25,513	100.0	17,198	100.0
— Jiangsu Province	821	4.2	884	3.9	—	—	—	—
— Zhejiang Province	317	2.1	705	3.0	—	—	—	—
	18,075	100.0	23,045	100.0	25,513	100.0	17,198	100.0
Jiangxi Guoguang Group *(Note)*								
— Jiangxi Province	1,943	100.0	2,065	100.0	2,622	100.0	477	100.0
Customer L *(Note)*								
— Jiangxi Province	—	N/A	79	100.0	284	100.0	62	100.0
Customer M *(Note)*								
— Jiangxi Province	—	N/A	268	100.0	537	100.0	287	100.0
Customer Group N *(Note)*								
— Jiangxi Province	1,076	100.0	462	100.0	585	100.0	305	100.0
Customer O *(Note)*								
— Jiangxi Province	418	100.0	96	100.0	—	N/A	—	N/A

Note: See notes in respect of the relevant supermarket customers in the table above.

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.

Counter promotional fees

The supermarkets charge us counter promotional fees in two models, namely, (i) by product category at pre-determined rates after commercial and arm's length negotiation (the "**Product Category Model**"); and (ii) based on allocation of their costs incurred for promotional events or festival events, for example, costs of consumables used in promotional events and handling fees for loading and unloading products, among their suppliers, including our Group, based on the portion of concessionary counter revenue of the suppliers whose products were promoted by such supermarkets in the same events (the "**Cost Allocation Model**"). The counter promotional fees charged by supermarkets for a particular year or period under the Cost Allocation Model and the fee rate for each product category charged under the Product Category Model are subject to various factors or circumstances at the relevant time, including but not limited to the prevailing market condition, the market demand to and consumer preferences on different kinds of products, the consumers' propensity to consume, the scale and budget of the promotional or festival events and the product portfolio of the supermarket customers, which are beyond our control. During the Track Record Period, Customer Group C charged us counter promotional fees under the Product Category Model, while the other supermarkets charged us counter promotional fees under the Cost Allocation Model.

Under the Product Category Model, the counter promotional fees ranged from approximately 12.7% to 17.0% as a percentage to the concessionary counter revenue during the Track Record Period. Customer Group C charged us counter promotional fees at pre-determined rates between 10% to 20% on grains, dried delicacies, dried aquatic products and snacks, and not more than 4% on seasonings and others. In FY2020, due to the outbreak of COVID-19 pandemic, Customer Group C agreed to reduce the fee rate by 4.5% on all product categories, thereby resulting in lower fees charged as a percentage to the concessionary counter revenue generated from such supermarket in FY2020 as compared to FY2019. Such concession did not continue in FY2021 and 6M2022, and therefore the fees charged as a percentage to the corresponding concessionary counter revenue for FY2021 and 6M2022 returned to similar level as for FY2019. In addition to the commission fees charged according to product category, Customer Group C also charged us fees for consumables used in promotional events and handling fees for loading and unloading products. The counter promotional fees as a percentage to the concessionary counter revenue charged by Customer Group C were higher than those charged by other supermarket customers under the Cost Allocation Model during the Track Record Period. Our Directors consider the counter promotional fees charged by Customer Group C is commercially acceptable because (i) it is a well-known supermarket chain and therefore an effective offline channel for us to promote and sell our products; (ii) it has a dense network of supermarket stores spread over different cities and counties in Jiangxi Province, which is a key revenue generating province for our Group; (iii) revenue generated from concessionary counters at Customer Group C's supermarket stores accounted for over 50% of our total concessionary counter revenue during the Track Record Period; and (iv) our cooperation with Customer Group C helps promoting our brand and products and give confidence to smaller-scale supermarkets to cooperate with our Group to operate concessionary counters or purchase our products.

Under the Cost Allocation Model, the counter promotional fees ranged from 0.3% to 25.0% as a percentage to the corresponding concessionary counter revenue generated from these supermarket customers during the Track Record Period. Such percentage fluctuated during the Track Record Period which depended on, to the best knowledge of the Directors, (i) the promotion costs incurred by the relevant supermarkets; and (ii) the amount of our Group's concessionary counter revenue as a percentage to the amount of total concessionary counter revenue, including those of the other relevant suppliers whose products were promoted by such supermarkets, in the same individual events. For example, the counter promotional fees as a percentage to concessionary counter revenue charged by Customer Group A was 0.3% for FY2019, 1.5% for FY2020, 1.1% for FY2021 and 0.3% for 6M2022. Our Directors believe that the counter promotional fees as a percentage to concessionary counter revenue for FY2020 and FY2021 were higher than that of FY2019 and 6M2022 was mainly due to Customer Group A charged us higher concessionary counter fees in FY2020 and FY2021 under the Cost Allocation Model as it more frequently held large-scale promotional activities, therefore resulting in higher promotion costs incurred by Customer Group A. Supermarket customers charging counter promotional fees under the Cost Allocation Model did not provide breakdown and details on actual costs incurred for promotional events or festival events and our Group's concessionary counter revenue as a percentage to the total concessionary counter revenue of relevant suppliers whose products were promoted by such supermarkets in the same events, of which the Directors consider to be commercially confidential from the supermarkets' perspectives, to substantiate the counter promotional fees charged for a particular year or period. As a whole, counter promotional fees charged under the Cost Allocation Model as a percentage to the corresponding concessionary counter revenue generated from relevant supermarkets on an aggregate basis was approximately 0.9%, 1.9%, 1.7% and 0.5% for FY2019, FY2020, FY2021 and 6M2022, respectively.

Upon receiving request of counter promotional fees from supermarket customers, we compare the fees charged as a percentage to the concessionary counter revenue generated from such customer over historical periods, and consider whether the frequency and scale of promotional activities or festival events in the relevant period justify the counter promotional fees charged by such supermarket. In addition, we also set a maximum percentage acceptable to our Group in order to ensure our profitability. We negotiate with the relevant supermarket customers if we consider the counter promotional fees proposed are not reasonable. During the Track Record Period, leveraging our trusted relationship with our supermarket customers, we did not experience any disputes or disagreements on counter promotional fees with our supermarket customers which had materially and adversely affected our business.

Our Directors consider that, regardless the amount of counter promotional fee charged by the supermarket customers, our Group's concessionary counters sales channel had been proven to be a success as supported by the increasing revenue generated from concessionary counters during the Track Record Period, in particular, the sale to concessionary counters increased from (i) approximately RMB29.2 million for FY2019 to approximately RMB38.7 million for FY2020, representing a growth rate of approximately 32.5%; (ii) approximately RMB38.7 million for FY2020 to approximately RMB50.6 million for FY2021, representing a growth rate of approximately 31.5%; and (iii) approximately RMB25.9 million for 6M2021 to approximately RMB30.9 million for 6M2022, representing a growth rate of approximately 19.3%. The revenue growth rate of concessionary counters was also higher than the overall growth rate of our Group's revenue during the Track Record Period. Moreover, through concessionary counters, our Group can leverage the supermarket customers' broad customer base to increase our sales, promote brand awareness, launch new products and gain access to end consumer feedback more efficiently. Our Directors consider that these brand development and brand promotion cannot be quantified by the counter promotional fees charged by the supermarket customers. Accordingly, our Directors are of the view that the operation of concessionary counters in supermarkets as a whole is commercially reasonable and beneficial to our Group's business and development.

Promoters

Generally, we station one to two promotors at our concessionary counters. As at 31 December 2019, 2020 and 2021 and 30 June 2022, we had 270, 201, 216 and 170 promoters, respectively. We also had 52 temporary promoters as at 31 December 2019. In FY2019, our Guangchang Plant was completed and put into production, therefore we introduced snack products under our own brands, including fragrant lotus seeds, spicy bamboo shoot crisps series and spicy kelp series. As snack products were new products at that time and we considered that it would be important to devote more marketing resources to develop and promote this new product category for our Group's long term development, we recruited more full-time promoters as well as certain temporary promoters to promote our snack products and our brand at concessionary counters to consumers. In FY2020, as consumers became more familiar with our brand and snack products, we gradually reduced the number of full-time promoters and no longer required temporary promoters. 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. During the Track Record Period, we paid our promoters at commission rate of 0.5% for fragrant lotus seeds and 1.0% for other products based on the gross sales (inclusive of VAT) made at the concessionary counter. In addition, our promoters also receive commission for the direct sales to supermarket stores where they operate concessionary counters at commission rate of 0.5% for fragrant lotus seeds and 1.0% for other products based on gross sales (inclusive of VAT). Our Directors consider that the more attentive the promoters are to promote our brand and products at concessionary counters, the more end consumers will be willing to purchase our products, and therefore the supermarket stores will be more willing to purchase products from us under the direct sales model to them. Therefore, we also award our promoters commission for the direct sales amount made to supermarket stores where our promoters operate concessionary counters. In FY2019, FY2020, FY2021 and 6M2022, we paid our promoters a total commission of approximately RMB1.3 million, RMB1.0 million, RMB1.4 million and RMB0.8 million, respectively, of which approximately RMB0.3 million, RMB0.4 million, RMB0.5 million, and RMB0.3 million, respectively, were paid in respect of concessionary counter sales and approximately RMB1.0 million, RMB0.6 million, RMB0.9 million, and RMB0.5 million, respectively, were paid in respect of direct sales to supermarket stores.

During the Track Record Period, our commission paid to promoters in respect of concessionary counter sales maintained at approximately 1.0% as a percentage to the corresponding counter revenue from the relevant supermarkets, and our commission paid to promoters in respect of direct sales to supermarket stores ranged from approximately 0.6% to 1.0% as a percentage to the gross direct sales (inclusive of VAT) made to the relevant supermarket stores where our promoters operate concessionary counters.

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 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, FY2021 and 6M2022, sales to our corporate customers accounted for approximately 19.2%, 14.9%, 15.0% and 21.0% of our total revenue for the same year or period, respectively.

We have a seller-buyer relationship with our corporate customers. We do not retain ownership over the products which we sell to them. The risks and rewards of the products pass to them and they are not entitled to recourse from us if they fail to sell our products to their customers. We do not accept product returns or provide refunds for our products except for defective products. Accordingly, we do not monitor the inventory level of our corporate customers. Our Directors believe that our corporate customers are better suited to monitor and control their inventory levels according to their judgment on the market trends and sentiments based on their expertise, knowledge and experience of their customers. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we have neither been made aware of any difficulties that our corporate customers were unable to subsequently sell our products to their customers or otherwise give them out as gifts or souvenirs, nor received request from our corporate customers for return or refund of unsold or unused inventory held by them.

In FY2019, FY2020, FY2021 and 6M2022, we generated revenue of approximately RMB70,000, RMB840,000, RMB578,000 and RMB254,000, respectively, from Mr. Lei's associates, namely Nanchang Leishi School* (南昌市雷式學校), Nanchang Leishi Extracurricular Training School Co., Ltd.* (南昌雷式課外培訓學校有限公司) and Nanchang Leishi Training School* (南昌雷式培訓學校), in aggregate. For details, please refer to Note 40 to the Accountants' Report in Appendix I to this document. To the best knowledge of our Directors, Mr. Lei's associates purchased our food products for use in their school canteens. During the Track Record Period and up to the Latest Practicable Date, we had not entered into any long term supply agreement with Mr. Lei or Mr. Lei's associates. To the best knowledge and belief of our Directors after making all reasonable enquiries, except for Mr. Lei's associates as aforesaid, 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 a 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 "Shengyao Zhenglian Store (聲耀正蓮專賣店)" in Tmall.com. For FY2019, FY2020, FY2021 and 6M2022, our sales through e-commerce accounted for approximately 0.3%, 1.4%, 0.8% and 0.0% of our total revenue for the same year or period, 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, FY2021 and 6M2022, such sales accounted for approximately 0.2%, 0.0%, 0.0% and nil of our total revenue for the same year or period, 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 a 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 30 June 2022. The table below sets forth an analysis of our revenue by delivery destinations during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Jiangxi Province	191,407	64.4	166,996	59.0	184,791	54.0	78,897	54.2	85,575	51.3
Hubei Province	32,341	10.9	74,884	26.5	32,434	9.5	15,725	10.8	8,204	4.9
Zhejiang Province	13,649	4.6	6,998	2.5	12,822	3.7	7,603	5.2	14,036	8.4
Sichuan Province (including Chongqing)	28	0.0	8,143	2.9	74,071	21.7	25,309	17.4	39,430	23.6
Hunan Province	31,542	10.6	11,922	4.2	12,150	3.6	6,291	4.3	9,041	5.4
Fujian Province	7,516	2.5	5,815	2.1	10,709	3.1	5,518	3.8	4,620	2.8
Shaanxi Province	5,128	1.7	3,629	1.3	4,324	1.3	1,922	1.3	1,375	0.8
Anhui Province	1,277	0.4	463	0.2	1,024	0.3	355	0.2	411	0.2
Shandong Province	—	—	130	0.0	1,119	0.3	400	0.3	663	0.4
Guangdong Province	1	0.0	86	0.0	1,699	0.5	444	0.3	1,094	0.7
Jiangsu Province	3,825	1.3	2,172	0.8	341	0.1	253	0.2	121	0.1
Other provinces, autonomous regions and municipalities *(Note)*	10,684	3.6	1,651	0.5	6,514	1.9	2,878	2.0	2,386	1.4
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

Note: Other provinces, autonomous regions and municipalities comprise Hebei Province, Inner Mongolia Autonomous Region, Shanxi Province, Liaoning Province, Henan Province, Ningxia Hui Autonomous Region, 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.

During the Track Record Period, our sales primarily concentrated in Jiangxi Province, Hubei Province, Zhejiang Province, Sichuan Province and Hunan Province. Despite some of our supermarket customers such as Customer Group A and Customer Group C operate supermarket chains all over China, to the best knowledge of our Directors, they generally adopt regional procurement strategy according to their internal geographic segmentation rather than centralised procurement throughout the entire country, which allows them to select suitable products to sell in their supermarket outlets according to the consumption pattern, tastes and preferences of the local consumers. Our sales in Hubei Province, Zhejiang Province, Sichuan Province, Hunan Province, Fujian Province and Shaanxi Province during the Track Record Period were primarily made to

Customer Group A. To the best knowledge of our Directors, Customer Group A divides its operations in six geographical regions, namely, Central China, Eastern China, Southern China, Western China, Northeastern China and Northern China. We established business relationship with Customer Group A's regional procurement functions in (i) Central China, which, among others, covers Hunan Province, Hubei Province and Jiangxi Province; (ii) Western China, which covers, among others, Sichuan Province, Chongqing and Shaanxi Province; and (iii) Southern China, which covers, among others, Fujian Province. As we have long operating history in Jiangxi Province, we generally had stronger brand recognition in Jiangxi Province and adjacent provinces such as Hubei Province, Hunan Province, Zhejiang Province and Fujian Province. Therefore, our Directors believe that, from marketing perspectives of our supermarket customers, our products are more appealing to local consumers in the aforesaid provinces, such that they are more inclined to procure our products to sell in their supermarket outlets in Jiangxi Province, Hubei Province, Hunan Province, Zhejiang Province and Fujian Province. Leveraging our long business relationship with Customer Group A, we had the opportunity to introduce our spicy snacks, which our Directors believe suit the local consumers' tastes, to its outlets in Sichuan Province in FY2021. To the best knowledge of our Directors, Customer Group C also operates separately according to different geographic regions and we made sales to its outlets in Jiangxi Province only. Our other major supermarket customers, such as Customer B, Jiangxi Guoguang Group, Customer L, Customer M, Customer Group N and Customer O, to the best knowledge of our Directors, operate supermarket chains in Jiangxi Province only. In addition, being a dried food product and snack producer in Jiangxi Province with long operating history, we believe we have stronger brand recognition and our products are more appealing to local consumers in Jiangxi Province and adjacent areas. Accordingly, the majority of our corporate customers during the Track Record Period were also based in Jiangxi Province.

During the Track Record Period, we also sell our products on e-store "Shengyao Zhenglian Store (聲耀正蓮專賣店)" in Tmall.com. As e-commerce is highly competitive and requires specialised marketing and customer acquisition strategies, we treat e-commerce as a supplemental means to enhance consumer awareness to our "Shengyao (聲耀)" and "Gangweifang (贛味坊)" brands and our products across China, with an aim to boost sales in our offline sales to supermarket customers and corporate customers. Going forward, we intend to continue leveraging our experience and establish relationship with our supermarket and corporate customers, and e-commerce will remain as a complementary marketing means to raise our brand awareness and improve offline sales to supermarket customers and corporate customers.

Fluctuation of our revenue by delivery destinations during the Track Record Period was mainly driven by the change of delivery destinations in accordance to instructions of our supermarket customers based on, to the best knowledge of our Directors, their procurement strategies, sales performance of particular outlets, supply chain and logistics arrangement in particular province and at particular point of time as well as their product promotion plans and sales events. We strive to maintain good relationship with our supermarket customers and obtain more orders from them to improve our profitability, and our Directors consider that the expansion of our delivery destinations to our supermarket customers help introducing our products and raising our awareness to our "Shengyao (聲耀)" and "Gangweifang (贛味坊)" brands to end consumers in provinces where we currently have limited market access. Our Directors believe that our supermarket customers will monitor and control the inventory levels of outlets in different provinces according to their judgment on the local market trends and sentiments based on their expertise, knowledge and experience of their customers.

In FY2020, as a large number of farmers' markets, grocery shops and convenience stores were closed due to the outbreak of COVID-19 in Wuhan, Hubei Province, Customer Group A, being a large-scale supermarket chain, acted as one of the major grocery suppliers to supply food and daily necessities to the local residents during the lockdown period. In addition, supplies from local suppliers in Hubei Province to Customer Group A were interrupted due to pandemic prevention and control measures, therefore, it increased purchases from our Group to support its grocery supplies to local residents in Hubei Province. To ensure sufficient supplies to Hubei Province, Customer Group A also requested our Group to increase deliveries to Hubei Province while reducing deliveries to their supermarket outlets in Jiangxi Province and Hunan Province. As such, our Group's revenue derived from Jiangxi Province and Hunan Province decreased in FY2020 while there was a surge in revenue derived from Hubei Province. In the meanwhile, leveraging our established relationship with Customer Group A, we successfully secured orders of snack products such as nuts and biscuits for its outlets in Sichuan Province, and accordingly our sales generated from Sichuan Province increased in FY2020.

In FY2021, the Group's deliveries made to Customer Group A's supermarket outlets in Hubei Province significantly decreased once the outbreak in Hubei Province became stabilised, while deliveries made to its supermarket outlets in Jiangxi Province and Shaanxi Province increased. In addition to nuts and biscuits, Customer Group A further ordered our spicy vegetable and meat snacks for its supermarket outlets in Sichuan Province, which our Directors believe that the spicy flavours of our snacks suit the local consumers' tastes and preferences.

For further discussion, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (c) Revenue by delivery destinations" in this document.

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. As at 31 December 2019, 2020 and 2021 and 30 June 2022, we had 13, 21, 28 and 26 sales representatives, respectively.

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, FY2021 and 6M2022, sales to our five largest customers in each year/period for the Track Record Period amounted to approximately RMB208.0 million, RMB207.0 million, RMB230.4 million and RMB108.2 million, representing approximately 70.0%, 73.2%, 67.4% and 64.8% of our revenue, respectively. For the same periods, sales to our largest customer in each year/period for the Track Record Period amounted to approximately RMB108.1 million, RMB108.8 million, RMB128.3 million and RMB57.3 million, representing approximately 36.4%, 38.4%, 37.6% and 34.3% 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 a one-off basis. For FY2019, FY2020, FY2021 and 6M2022, approximately RMB250.8 million, RMB225.8 million, RMB270.4 million and RMB133.1 million, representing approximately 84.3%, 79.8%, 79.1% and 79.7% of the total revenue (excluding our revenue generated from sales over concessionary counters in supermarkets for this purpose) in each year/period for the Track Record Period, 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. 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	Number of outlets the Group made delivery to during the year/period	Credit terms and payment method	Revenue (exclusive of revenue attributable to concessionary counters)	Approximate % of our total revenue	Revenue generated from concessionary counters operated with this customer
						(RMB'000)		*(RMB'000)*
Customer Group A (Note 1)	Three companies established in Hubei Province with registered capital of US$8 million, Guangdong Province with registered capital of US$20 million and Shanghai with registered capital of US$370.3 million, respectively, 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. During the Track Record Period, the Group delivered the products to the outlets operated by Customer Group A in Jiangxi Province, Hubei Province, Hunan Province, Shaanxi Province, Sichuan Province and Fujian Province.	2014	Snacks, dried delicacies, grains and dried aquatic products	41	45–75 days, bank transfer	108,079	36.4	7,687

Customer	Background	Year of commencement of relationship with us	Major products sold by our Group	Number of outlets the Group made delivery to during the year/period	Credit terms and payment method	Revenue (exclusive of revenue attributable to concessionary counters)	Approximate % of our total revenue	Revenue generated from concessionary counters operated with this customer
						(RMB'000)		*(RMB'000)*
Customer B	A limited liability company established in Jiangxi Province with registered capital of RMB50 million and its principal business is operation of supermarket chains in China. During the Track Record Period, the Group delivered the products to the outlets operated by Customer B in Jiangxi Province.	2016	Snacks, dried delicacies, grains and dried aquatic products	13	45 days, bank transfer	55,108	18.5	N/A
Customer Group C(Note 2)	Two companies established in Jiangxi Province with registered capital of RMB90 million and Zhejiang Province with registered capital of RMB128 million, respectively, and their principal business are operation of supermarket chains in China. During the Track Record Period, the Group delivered the products to the outlets operated by Customer Group C in Jiangxi Province.	2016	Snacks, dried delicacies, grains, and dried aquatic products	45	30–90 days, bank transfer	33,951	11.4	18,074
Shanghai Dongqian Trading Co., Ltd.* (上海東謙貿易有限公司)	A limited liability company established in Shanghai with registered capital of RMB0.5 million, and its principal business is sales of foodstuff and daily necessities	2017	Dried delicacies and dried aquatic products	N/A	45 days, bank transfer	7,182	2.4	N/A
Nanchang Qinxin Food Co., Ltd.* (南昌市親新食品有限公司)	A limited liability company established in Jiangxi Province with registered capital of RMB5 million, and its principal business is sales of foodstuff	2017	Snacks, dried delicacies and dried aquatic products	N/A	45 days, bank transfer	3,723	1.3	N/A
Total						**208,043**	**70.0**	**25,761**

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	Number of outlets the Group made delivery to during the year/period	Credit terms and payment method	Revenue (exclusive of revenue attributable to concessionary counters)	Approximate % of our total revenue	Revenue generated from concessionary counters operated with this customer
						(RMB'000)		*(RMB'000)*
Customer Group A(Note 1)	As disclosed in the FY2019 table above	2014	Snacks, dried delicacies, grains and dried aquatic products	37	45–75 days, bank transfer	108,792	38.4	12,682
Customer B	As disclosed in the FY2019 table above	2016	Snacks, dried delicacies, grains and dried aquatic products	13	45 days, bank transfer	53,148	18.8	N/A
Customer Group C(Note 2)	As disclosed in the FY2019 table above	2016	Snacks, dried delicacies, grains and dried aquatic products	63	30–45 days, bank transfer	28,470	10.1	23,045
China Post Group(Note 3)	A group of companies, comprising of China Postal Express & Logistics Co., Ltd. Jiangxi Branch* (中國郵政速遞物流股份有限公司江西省分公司) and China Post Express Logistics Co., Ltd.* (中國郵政集團有限公司江西省分公司) which are branch or branch of a subsidiary of a state-owned enterprise in Jiangxi Province and their principal businesses are, among others, provision of domestic and international postal and courier services	2016	Snacks, dried delicacies, grains and dried aquatic products, and to the best knowledge of our Directors, for gifts and souvenir packs	N/A	45 days, bank transfer	12,171	4.3	N/A
Nanchang Kebaoen Industry Co., Ltd.* (南昌科寶恩實業有限公司)	A limited liability company established in Jiangxi Province with registered capital of RMB5 million and its principal business is domestic trading and provision of electronic products related services	2016	Snacks, dried delicacies, grains and dried aquatic products	N/A	45 days, bank transfer	4,387	1.6	N/A
Total						**206,968**	**73.2**	**35,727**

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) China Post Group comprises two branches of companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with China Post Group is presented on common controlling party group basis.

FY2021

Customer	Background	Year of commencement of relationship with us	Major products sold by our Group	Number of outlets the Group made delivery to during the year/period	Credit terms and payment method	Revenue (exclusive of revenue attributable to concessionary counters)	Approximate % of our total revenue	Revenue generated from concessionary counters operated with this customer
						(RMB'000)		*(RMB'000)*
Customer Group A[(Note 1)]	As disclosed in the FY2019 table above	2014	Snacks, dried delicacies, grains and dried aquatic products	61	45–60 days, bank transfer	128,331	37.6	21,018
Customer B	As disclosed in the FY2019 table above	2016	Snacks, dried delicacies, grains and dried aquatic products	13	60 days, bank transfer	54,349	15.9	N/A
Customer Group C[(Note 2)]	As disclosed in the FY2019 table above	2016	Snacks, dried delicacies, grains and dried aquatic products	55	60 days, bank transfer	41,013	12.0	25,513
Nanchang Qinze Trade Co., Ltd.* (南昌欽澤貿易有限公司)	A limited liability company established in Jiangxi Province with registered capital of RMB0.5 million and its principal business is mainly domestic trading of foodstuff	2017	Snacks, dried delicacies, grains and dried aquatic products	N/A	30 days, bank transfer	4,922	1.4	N/A

Customer	Background	Year of commencement of relationship with us	Major products sold by our Group	Number of outlets the Group made delivery to during the year/period	Credit terms and payment method	Revenue (exclusive of revenue attributable to concessionary counters)	Approximate % of our total revenue	Revenue generated from concessionary counters operated with this customer
						(RMB'000)		*(RMB'000)*
Jiangxi Guoguang Group(Note 3)	A group of companies which include Jiangxi Guoguang Commercial Chains Co., Ltd.* (江西國光商業連鎖股份有限公司) (605188.SH), an A-share listed company listed on the Shanghai Stock Exchange, together with its two subsidiaries, Ganzhou Guoguang Industrial Co., Ltd.* (贛州國光實業有限公司) established in Jiangxi Province with registered capital of RMB110 million, Yichun Guoguang Industrial Co., Ltd.* (宜春市國光實業有限公司) established in Jiangxi Province with registered capital of RMB6 million, and Xinyu Guoguang Commercial Co., Ltd.* (新余國光商業有限公司) (which was deregistered as at the Latest Practicable Date). Their principal businesses are operation of supermarket chains and general stores in China. During the Track Record Period, the Group generally delivered the products to the outlets operated by Jiangxi Guoguang Group in Jiangxi Province. As at the Latest Practicable Date, Jiangxi Guoguang Commercial Chains Co., Ltd.* (江西國光商業連鎖股份有限公司) has a market capitalisation of approximately RMB4.9 billion	2006	Snacks, dried delicacies, grains and dried aquatic products	23	30 days, bank transfer	1,820	0.5	2,622
Total						**230,435**	**67.4**	**49,153**

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) Jiangxi Guoguang Group comprises four companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with Jiangxi Guoguang Group is presented on common controlling party group basis.

6M2022

Customer	Background	Year of commencement of relationship with us	Major products sold by our Group	Number of outlets the Group made delivery to during the year/period	Credit terms and payment method	Revenue (exclusive of revenue attributable to concessionary counters)	Approximate % of our total revenue	Revenue generated from concessionary counters operated with this customer
						(RMB'000)		*(RMB'000)*
Customer Group A[(Note 1)]	As disclosed in the FY2019 table above	2014	Snacks, dried delicacies, grains, dried aquatic products and seasonings and others	60	45–60 days, bank transfer	57,337	34.3	12,590
Customer B	As disclosed in the FY2019 table above	2016	Snacks, dried delicacies, grains, dried aquatic products and seasonings and others	15	60 days, bank transfer	23,732	14.2	N/A
Customer Group C[(Note 2)]	As disclosed in the FY2019 table above	2016	Snacks, dried delicacies, grains, dried aquatic products and seasonings and others	58	60 days, bank transfer	12,641	7.6	17,198
Ningbo Haishu	A limited liability company established in Zhejiang Province with registered capital of RMB60 million and its principal business is mainly domestic trading of foodstuff	2021	Snacks and dried delicacies	N/A	45 days, bank transfer	11,106	6.7	N/A
Nanchang Qinze Trade Co., Ltd.* (南昌欽澤貿易有限公司)	As disclosed in the FY2021 table above	2017	Snacks, dried delicacies, grains, dried aquatic products and seasonings and others	N/A	30 days, bank transfer	3,347	2.0	N/A
Total						**108,163**	**64.8**	**29,788**

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.

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, FY2021 and 6M2022, the product returns from our customers amounted to approximately RMB2.8 million, RMB0.7 million, RMB0.2 million and RMB0.1 million, respectively, representing approximately 1.0%, 0.2%, 0.1% and 0.0% of our total revenue for the same year or period, out of which only RMB0.8 million, RMB0.2 million, RMB0.2 million and RMB0.1 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.

Seasonality

Our sales are subject to seasonality fluctuations. We generally experience higher sales for products such as dried delicacies and dried aquatic products during or ahead of holiday seasons, such as the Mid-Autumn Festival, the Golden Week and the Chinese New Year. Historically, we generally experienced higher sales of our products in the fourth quarter of our financial year.

SUPPLIERS

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

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

We procure raw materials from our approved suppliers in order to ensure the quality and stable supply of raw materials. Our list of approved suppliers is determined and reviewed annually by our procurement team with reference to, amongst others, production management, quality control processes, delivery and other after-sales services. We generally have several approved 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, FY2021 and 6M2022, our direct materials costs in each year/period for the Track Record Period amounted to approximately RMB186.4 million, RMB172.2 million, RMB209.6 million and RMB102.6 million, representing approximately 92.7%, 89.5%, 89.8% and 90.8% 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. For FY2019, FY2020, FY2021 and 6M2022, the aggregate total purchases from our five largest suppliers in each year/period for the Track Record Period amounted to approximately RMB53.2 million, RMB74.6 million, RMB90.1 million and RMB50.9 million, representing approximately 28.9%, 34.8%, 39.9% and 52.0% of our total purchases, respectively. For the same periods, the total purchases made by us to our largest supplier in each year/period for the Track Record Period amounted to approximately RMB12.7 million, RMB22.3 million, RMB29.9 million and RMB18.7 million, representing approximately 6.9%, 10.4%, 13.3% and 19.1% of our total purchases, 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, with registered capital of RMB2.0 million, and its principal business is mainly cultivation and sales of edible fungi	2018	Dried mushroom and fungi	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, with registered capital of RMB0.6 million, and its principal business is mainly 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, with registered capital of RMB0.5 million, and its principal business is mainly 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, with registered capital of approximately RMB2.9 million, and its principal business is mainly cultivation and sales of edible fungi	2019	Black fungus	One month, bank transfer	9,567	5.2

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 Songcang Dried Fish Professional Cooperative* (溫嶺市松蒼魚鯗專業合作社) . . .	An agricultural cooperative established in Zhejiang Province, with registered capital of RMB90,000, and its principal business is mainly 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 FY2019 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, with registered capital of RMB1.0 million, and its principal business is mainly 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 FY2019 table above	2018	Dried mushroom	One month, bank transfer	13,719	6.4

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)	
Guangchang Yihe Food Co., Ltd.* (廣昌縣義荷食品有限公司)	A limited liability company established in the PRC, with registered capital of RMB1.0 million, and its principal business is mainly 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 FY2019 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

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)	
Quanzhou Yihao Trading Co., Ltd.* (泉州溢豪商貿有限公司)	A limited liability company established in the PRC, with registered capital of RMB1.0 million, and its principal business is mainly 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, with registered capital of RMB1.4 million 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**

6M2022

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	18,675	19.1
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	12,048	12.3
Supplier A	As disclosed in the FY2021 table above	2019	Dried mushroom and black fungus	One month, bank transfer	8,838	9.0

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)	
Nanchang Changmei Colour Printing Co., Ltd* (南昌市昌美彩印有限公司)	A limited liability company established in the PRC, with registered capital of RMB2.0 million, and its principal business is mainly sales and trading of packing products	2016	Packing box	One month, bank transfer	5,681	5.8
Shandong Xinxue Food Co., Ltd.* (山東鑫雪食品有限公司)	A limited liability company established in the PRC, with registered capital of RMB5.0 million, and its principal business is mainly sales and trading of frozen meat products and instant food	2020	Frozen meat products	One month, bank transfer	5,673	5.8
Total					**50,915**	**52.0**

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 30 June 2022, 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 AND MANAGEMENT

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.

Our inventories of finished goods comprised own-branded products under our manufacturing operation and third-party branded or unbranded products under our trading operation. We consider an effective and sound inventory management is of vital importance for avoiding obsolescence or overstocking of our inventory, while maintaining the variety and quality of our products.

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.

We take a first-in-first-out approach to handle our stocks. Those products which are delivered to our warehouses earlier in time will be sold to customers first. Such approach minimises the chance of deterioration and obsolescence of products. We assign staff to conduct manual sample checks on an on-going basis to ensure our inventory have sufficient shelf life before we distribute to our customers. We designate specific storage area in our warehouses for short-dated products which will expire within 30 to 60 days, and we seek to prioritise distributing the short-dated products to our customers. We may offer price reduction for products which will expire shortly. We dispose of unsold products that are expired.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, our closing balance of inventories amounted to approximately RMB62.4 million, RMB98.2 million, RMB106.5 million and RMB97.2 million, respectively, which represented approximately 28.8%, 31.7%, 34.0% and 30.5% of our total current assets, respectively. Our average inventory turnover days were approximately 120.3, 152.5, 160.0 days and 163.1 days for FY2019, FY2020, FY2021 and 6M2022, respectively. For more details of our average inventory turnover days, please refer to the paragraph headed "Financial Information — Selected Items of Consolidated 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.

Internal control in relation to food safety

In order to enhance the Group's performance and prevent recurrence of any food safety related incidents, the Group has adopted various food quality and safety management measures, which include but not limited to the following:

(i) the Group has developed a food hygiene management system to assign specific staff to oversee and manage hygiene responsibilities, and all sanitation facilities have been improved on its production plants;

(ii) all staff relating to food production must attend training on food safety-related knowledge and regulations before they are allowed to engage and continue in engaging in food production and distribution work;

(iii) the Group has established relevant food safety standards and will carry out regular supervision to ensure the Group is in compliance with The Food Safety Law of the PRC;

(iv) the Group has established a robust supplier selection and management measures to ensure the quality and capability of the suppliers adhere to the required standards;

(v) the Group has developed procedures to control the procurement and production process to ensure that the quality of raw materials purchased can fulfil the specified requirements;

(vi) all packaging materials shall be provided by qualified suppliers in accordance with national health standards and shall not contain any toxic substances. The Group will ensure all label, logo and production date are complete and accurate on the packing before proceeding with food packaging;

(vii) responsible staff are required to closely monitor the storage environment to ensure suitable temperature and humidity levels and that it does not contain any toxic, harmful or corrosive substances. In addition, the Group will make sure fire and flood prevention facilities are set up in the warehouses to comply with the relevant safety regulations;

(viii) when necessary, the non-conforming products will be recorded, evaluated and recalled;

(ix) the Group has developed procedures to properly record the status of materials and products related to production which help to trace the products with defects, and identify the cause and source of the problem;

(x) when necessary, the Group will take corrective and preventive procedures to handle customers' complaints to eliminate the causes of non-conformity, prevent recurrence of the food safety related incidents and improve quality management;

(xi) the quality inspection department of the Group is responsible for collecting information involving product quality-related and non-conformity issues to prevent its recurrence; and

(xii) the Group has developed product protection rules which specify the requirements and method for handling, packaging, storage, and delivery of products to prevent damage, deterioration or misuse.

Our Internal Control Consultant performed a follow-up review of our internal control measures related to food safety in March 2022. Based on the results of such review, our Internal Control Consultant is of the view, and the Sole Sponsor concurs, that our Group's enhanced internal control measures, if implemented continuously, are adequate and effective to reasonably prevent re-occurrence of food safety related incidents.

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 suspended production for 13 days in February 2020 and three days in April 2022, and our Guangchang Plant suspended production for 15 days 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 Consolidated 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.

Despite the COVID-19 pandemic, our manufacturing business recorded growth in revenue from approximately RMB223.4 million in FY2019 to approximately RMB228.9 million and further to approximately RMB250.4 million in FY2021 due to our introduction of new snacks such as spicy kelp series around end of FY2019 and spicy enoki mushroom series in FY2020, and our meat snacks in FY2021. In addition, our Directors believe that the sales of our own-branded packaged dried goods such as dried cuttlefish increased during the COVID-19 pandemic because consumers shopped through online platforms or mobile applications more often, and were more inclined to buy packaged and branded products with reliable quality, which are easier to be delivered to their doorsteps and stored at home during the lockdown period as compared to loose-package or products without brands. Furthermore, as trading business is strategically positioned as supplementary to our manufacturing business, our Group prioritised our resources and efforts to maintain our manufacturing business to safeguard our staff's employment and sustain our business through the COVID-19 pandemic.

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 Consolidated 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.

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. Our Directors believe that the resurgence of COVID-19 since 1 January 2022 and up to the Latest Practicable Date did not and is not expected to result in a material disruption to our business operations or have any material impact on our business operations and financial performance, considering that (i) the governmental authorities have put into significant resources and efforts to contain the regional COVID-19 outbreaks; (ii) our production plants were not ordered for prolonged suspension save as the temporary suspension for approximately two to three weeks as mentioned above up to the Latest Practicable Date; (iii) we have only experienced slight decrease in revenue in FY2020 in the peak of the outbreak and our sales performance and revenue had gradually improved with the introduction of our meat snack series in FY2021; (iv) although we experienced increase in costs of certain raw materials due to tightened supply or increased transportation costs in FY2020, the costs of those raw materials had either come down or slowed down in cost growth, and our overall gross profit margin was maintained at similar levels around 32% during the pandemic in FY2020; and (v) we have stable business relationship with our supermarket customers with supermarket stores in various provinces which we believe would enable our Group to flexibly adjust our sales and delivery of products across different provinces, if necessary, and therefore we would be able to maintain an overall stable sales to our supermarket customers.

Even though our business operation and financial performance were not materially affected by COVID-19 during the Track Record Period and up to the Latest Practicable Date, we cannot predict whether the resurgence of COVID-19 will deteriorate. Meanwhile, we will continue to assess the impacts of COVID-19 on our business operations and financial performance and closely monitor the risks and uncertainties arising thereof. 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 30 June 2022, 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, FY2021 and 6M2022, our research and development expenses were approximately RMB9.5 million, RMB10.2 million, RMB10.4 million and RMB6.1 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 improvement.* 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 snacks products. In particular, we have launched the following key snacks products during the Track Record Period which:

Key product	Sample product picture
Year of release: 2019	
Fragrant lotus seeds	
Spicy bamboo shoot crisps series	  

Key product	Sample product picture
Spicy kelp series	 
Year of release: 2020	
Spicy enoki mushroom series	 

Key product	**Sample product picture**
Year of release: 2021	
Marinated chicken wing tips series	
	
	
Roasted duck necks series	
	
Year of release: 2022	
Marinated chicken feet	

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 are committed to continue introducing new products to the market to further diversify our product portfolio and boost sales of the Group. As at the Latest Practicable Date, we have commenced trial production of boneless chicken feet series products, which include various flavours to cater different consumer taste and preference. 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 in line with the subject aspects as set out in Appendix 27 to the Listing Rules. Our ESG policies set forth our environmental protection measures, social responsibility principles and internal governance and provide guidelines for the management of our environmental, social and climate-related issues.

Occupational 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.

Employment, development and training

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 provide our employees with on-the-job training and education on a regular basis to familiarise themselves with the requirements of their job and to enhance their knowledge in the latest trends and techniques. We also comply with the PRC laws and regulations to pay social insurance and housing provident fund contributions for our employees. For details, please refer to the paragraph headed "Employees" in this section.

Supply chain management and product responsibility

We are committed to providing safe and high quality products to the consumers. We have adopted and implemented the Hazard Analysis Critical Control Point ("**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 procure raw materials from our approved suppliers in order to ensure the quality and stable supply of raw materials. We evaluate our suppliers based on production management, quality control processes, delivery and other after-sales services. 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. We also carry on-site inspections on our major suppliers periodically.

We store the finished products at our temperature and humidity controlled 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. All customers' feedback and complaints are directed to and handled by our sales representatives and quality control staff. We retain records of all feedback and complaints. We will refund the relevant purchase amount to our customers for any defective or damaged products returned to us.

For details, please refer to the paragraph headed "Sales Returns and Recall Policies", "Suppliers" and "Quality Control and Food Safety" in this section.

Anti-corruption

We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our staff to report any bribery and corruption acts.

Social responsibility

We strive to contribute to the wellbeing of the communities where we operate. For example, we 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.

For further details of our ESG policies, please refer to the paragraph headed "ESG-related risks identified and corresponding policies and measures — (ii) Evaluation and assessment conducted and corresponding policies and measures addressing each of the risks" in this section.

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 Listing 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 Listing 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.

ESG-related risks identified and corresponding policies and measures

To facilitate an effective and independent evaluation of ESG-related risk, the Group has engaged the services of a third-party professional (the **"ESG Consultant**") for assisting in evaluating ESG-related risk, reviewing existing strategy, targets and policies, and conducting the materiality assessment.

(i) Key ESG-related risks identified

With assistance of the ESG Consultant, the Group has identified the material environmental, social and climate-related issues highly relevant to the Group's business through various channels, including the judgment from the Group's management, analysis from materiality maps provided by well-known external institutions including the ESG Industry Materiality Map by Morgan Stanley Capital International and SASB Materiality Map by Sustainability Accounting Standards Board. Such environmental, social, and climate-related issues may lead to various risks and opportunities to the Group, potentially impacting the Group in different ways.

Environmental-related risks

Energy and water are essential for food processing. Ineffective energy management may potentially lead to excessive energy usage which leads to increased operational costs. Under the mounting geopolitical tensions, the Group also faces the risk posed by volatile fossil fuel energy costs, which may increase the production cost. On the other hand, the Group may face an increase in operational costs due to the water stress in the areas of operation.

For packaging material management, the over-packaging of products can increase the production cost and be affected by the requirements related to packaging such as the national standard "Requirements of Restricting Excessive Package — Foods and Cosmetic" (GB23350-2009) of the PRC.

Social-related risks

The business operations of the Group are subject to the product-related laws and regulations promulgated by the government of the PRC. Defective or substandard products may damage the Group's reputation, result in delivery delays, and product returns, or require replacement of defective or substandard products, which may affect the business, financial condition, and operating results. In addition, the Group may be subject to product liability claims and may be held liable to pay compensation and damages to any end consumers affected by its products. Furthermore, the regulations on product labeling and marketing, including but not limited to the Food Safety Law and Advertising Law of the PRC, introduce short-term costs and bring risk of penalties or litigation to the Group. Untruthful or misleading information of product labelling and marketing can also damage the goodwill of the Group and increase its operating cost to rebuild the product labeling system.

Supply chain is the core element in the production process. The Group may face challenges from shortages of raw materials and substandard materials due to a failure of supply chain management. This may lower the efficiency of the Group's manufacturing processes and the quality of the products, as well as increase its long-term operational costs.

Climate-related risks

The Group predicts that a rise in the frequency and severity of extreme weather events (such as super typhoons and heavy rainstorms), changes in precipitation patterns, and extreme variability in weather patterns will have an impact on its business operation in the short and medium term. Potential financial impacts are identified such as the increase in operating costs due to the increase in difficulty in the transportation of products during extreme weather events, implementation of new practices and processes on extreme weather events management, and increase in maintenance and repair budgets. Any supply chain interruption due to extreme weather events may affect the Group's ability to source sufficient raw materials at suitable prices, resulting in a decrease in production capacity.

Transitional risks such as shifts in customer preference and enhanced emissions-reporting obligations may arise during the transformation to a sustainable business. As a result, the Group may face a change in revenue mix and source and an increase in capital investment in technology development. These transitional risks will lead to an increase in cost including the operational cost, and expenditure on the research and development of alternative technology with lower greenhouse gas emissions as well as a potential reduction in revenue from the change in customer preference.

(ii) Evaluation and assessment conducted and corresponding policies and measures addressing each of the risks

The Board is well informed regarding the results of the evaluation on ESG-related risk, the results of the review of the existing strategy, targets, and policies, and the materiality assessment. Supervised by the Board, the Group actively identifies and monitors the environmental, social and climate-related risks and opportunities over the short, medium and long term and it seeks to incorporate such issues into its businesses, strategy and financial planning. For example, the Group continuously strive to reduce energy consumption and reduce greenhouse gas emissions through energy-saving transformation.

The Group will continuously monitor environmental, social and climate-related matters and governmental developments and act to minimise the impact on its operations. An independent consultant will be mandated after the **[REDACTED]** to assist the Group in preparing ESG data disclosure to the public, including but not limited to the consumption data on energy, water, and package material, through the annual ESG report. The transparent disclosure of the Group's performance to stakeholders helps the Group monitor its environmental commitments quantitatively and improves its brand image.

Management of environmental-related risks

The Group has implemented energy management measures to mitigate the related potential risk. The Group prioritises and selects electrical appliances that are more energy efficient like T5 fluorescent lamps and LED, and split-type air conditioners with energy efficiency labels. The Group applies renewable energy through the installation of solar panels. To maintain high energy efficiency, the Group makes the most use of natural light and periodically cleans all the light fixtures and air conditioners regularly. The Group also installs motion sensors and sets the minimum temperature of the air-conditioning at about 26°C to reduce energy use. To enhance energy efficiency, the Group has replaced a certain amount of the fuel of the boiler from natural gas to industrial carbon ten crude aromatic hydrocarbon since FY2021.

To manage the risks related to water stress by reducing water consumption, the Group has implemented a number of measures. The Group prioritises and selects water-saving appliances like products with water efficiency labels and dual-flush toilets. To prevent water leakage, the Group strengthens the maintenance of water equipment and regularly inspects and replaces aging faucets. The Group has placed signs in washrooms to remind its employees to turn off the faucets after usage and conserve water.

The Group minimises the impacts of its packaging materials through material sourcing, usage reduction and design change to minimise single-use packaging waste. The Group's packaging materials include plastic (plastic bags and blister packaging), paper (carton), metal and fiber fabric. Taking into consideration that plastic is extremely resilient and difficult to be decomposed naturally, the Group considers shifting to a higher ratio of the use of cardboard or other recyclable materials where appropriate when selecting the type of packaging materials. For 6M2022, approximately 0.7% of the packaging materials of the Group were recyclable (i.e. calculated based on the piece of packaging materials used). The Group aims to further enhance the ratio from approximately 0.7% to approximately 1.5% by 2025. Our Directors consider, and Frost & Sullivan concurs, that the level of the Group's usage of recyclable packaging materials is in line with the industry practice and target because (i) dried food and snack food manufacturers in China substantially use plastic as individual packages and outer packages, and use cartons as transporting containers, and generally adopt a gradual approach to reduce emissions and manage waste responsibly by reducing the individual packages and replacing the outer package from plastic to paper, (ii) biodegradable packaging materials have not been widely adopted for dried food and snack packaging due to the high cost of such materials, which will affect the profitability of the dried food and snack food manufacturers, and (iii) there is no specific reduction or recycling targets of packaging materials according to The Notice on Further Strengthening the Control of Commodity Overpackaging (《關於進一步加強商品過度包裝治理的通知》) published by the General Office of the State Council on 15 September 2022. To balance profitability at the same time as achieving sustainable development, the Group targets to gradually replace the use of plastic bags with cartons that are recyclable and easy to decompose in nature. In addition, the Group is looking to replace its plastic package with biodegradable plastic and reduce packaging materials by increasing the amount of product per package or reducing the plastic thickness for some of its product packages. The Group will constantly look out for the latest development in the industry of environmentally friendly packaging materials and plan to switch to biodegradable alternatives for its plastic packaging materials two to three years after the technology of biodegradable materials matures. The Group will continue to explore opportunities for adoption of sustainable packaging during the manufacturing process. The Group will closely monitor the consumption of the packaging materials, aiming to reduce the total usage of plastic packaging material as far as practicable. To minimise the use of packaging materials and lower the carbon footprint during transportation, the Group also reviews the way of packaging to improve packing efficiency.

Management of social-related risks

To mitigate the risk related to product safety and quality, the Group has adopted and implemented the internationally recognised HACCP addressing food safety and ISO 9001:2015 Quality Management System to ensure consistency of the production. The Group operates in compliance with the applicable laws and regulations related to food processing and production and has obtained the food production licences for all of the production facilities. To ensure that all production staff consistently follows the protocols and packaging procedures, the Group has established standard operating procedures that include detailed instructions for the production and packaging processes. The Group's dedicated quality control team is responsible for ensuring the adherence to internal quality control procedures. In addition to the internal product quality checking, the Group also engaged certified third-party assessment institutions for product quality inspection.

To mitigate the risk related to the product labelling and marketing, the Group's product labels include the necessary information, including but not limited to the 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 licences; and other items that must be indicated according to laws, regulations or food safety standards. The Group's dedicated quality control team is responsible to ensure the quality of the production process, including the product label.

To ensure the quality and steady supply of raw materials, the Group procures raw materials from approved suppliers. The list of approved suppliers is determined and reviewed annually by our procurement team based on the production management, quality control processes, delivery, and other after-sales services. Each of the major raw material types typically has a number of suppliers. The Group conducts sample checks on each batch of raw materials to ensure that the suppliers adhere to its quality control standards and specifications. The Group will reject and return the defective raw materials that do not fulfill the quality standards stipulated under the supply contracts or purchase orders. In addition, the Group carries on-site inspections on its major suppliers periodically.

Management of climate-related risks

The Group assesses the climate-related risks by determining the appropriate levels of climate-related tolerance. To prevent disruption to the supply chain due to the increased severity of extreme weather events and changes in precipitation patterns and extreme variability in weather patterns, the Group has required its suppliers to have climate-related risks prevention practices in place, such as the work arrangement under the extreme weather events. To remediate the climate-related risks, the Group would issue safety warnings to its employees about the special work and safety arrangements under unusual weather conditions.

Board oversight on ESG-related issues

The Group has not constituted an ESG sub-committee of the Board while the Board directly shoulders the responsibility for the supervision and overseeing of the Group's execution of ESG and climate-related matters, and ESG performance. The Board is also responsible for assessing, identifying, and managing ESG and climate-related risks and opportunities. The chairman of the Board is responsible to review and approve the ESG policies.

To formulate and execute ESG policies, the authority has been effectively distributed to the management and relevant departments of the Group. Additionally, the Board will evaluate the overall ESG-related performance at least once a year through the ESG report.

Management roles on ESG-related issues

The Board is responsible to assess the risk associated with ESG and climate change. The management is in charge of developing and reviewing ESG strategies and policies to manage ESG and climate-related risks and opportunities under the direction of the Board. The management also urges the departments to seek for improvements in ESG strategy to reduce the possible negative impacts on the business. The Group has established policies that assign ESG-related tasks and responsibilities to various departments while also setting goals and targets including reducing carbon emissions, enhancing resource conservation, and promoting environmental protection. The goals and targets are in place to maximise each department's expertise and yield the best results from various measures.

The management will assess the effectiveness of the ESG-related tasks using updates from various departments. In addition, the management regularly communicates with the Board such information and developments through Board meetings, investor meetings, monthly meetings, dedicated reports, social media platforms, etc.

Metrics and targets used to assess and manage ESG policies

The Group is aware of the packaging material-related environmental impacts that its operation may induce and is committed to enhancing packaging material conservation. The Group has taken into quantitative information that reflects the Group's management of packaging materials. The Group consumed the following amount of packaging material during the Track Record Period:

	FY2019	FY2020	FY2021	6M2022
Plastic bag (piece)	54,972,727	98,409,483	111,755,214	51,349,091
Intensity (piece/tonnes of product)	1,959.99	4,110.07	3,796.63	4,264.89
Blister packaging (kg)	22,023	42,837	37,734	24,739
Intensity (kg/tonnes of product)	0.79	1.79	1.28	2.05
Carton (piece)	399,081	1,225,629	1,762,131	646,215
Intensity (piece/tonnes of product)	14.23	51.19	59.86	53.67
Metal (piece)	67,042	112,962	62,000	0
Intensity (piece/tonnes of product)	2.39	4.72	2.11	0.00
Fiber fabric (piece)	0	0	0	16,950
Intensity (piece/tonnes of product)	0.00	0.00	0.00	1.41

The Group's key product in FY2019 is fragrant lotus seeds which were packed in bulk and therefore used relatively few packaging materials. With the development and introduction of new products such as snacks which were packed in small packets, the amount of packaging materials used has increased. However, the increase in the piece of packaging materials does not necessarily entail an increase in the amount of packaging material used as the size of packaging material for each product type varies, which means small-size products may use more pieces of packaging materials without increasing the amount of packaging material used. Measurement of the packaging material in terms of weight, instead of piece would be considered for data collection and calculation in the future.

The Group expects the total consumption of packaging materials will increase alongside the construction of new snack production lines in Guangchang Plant and business expansion. The Group is aware of the environmental impacts that it may induce and the resources that are required for the business operation. Therefore, the Group has set directional environmental targets, committing the Group to:

- enhance energy and water conservation;
- fully comply with the national discharge standard; and
- zero environmental pollution accident.

The Group has considered the quantitative data that reflects the Group's management of risks associated to the environment, society, and climate, including resource consumption, water consumption and greenhouse gas emissions.

The Group examines energy consumption data on a regular basis and looks for opportunities to optimise energy utilisation to maximise energy efficiency wherever possible. The Group's energy consumption is classified into direct and indirect energy consumption, with direct energy consumption from the fuel consumption of boiler and vehicles, and indirect energy consumption from the consumption of purchased electricity. The Group consumed the following amount of energy during the Track Record Period:

	FY2019	FY2020	FY2021	6M2022
Total energy consumption (MWh)	9,612	15,705	10,947	4,819
Direct energy consumption (MWh)	8,622	14,342	8,457	3,712
Indirect energy consumption (MWh)	990	1,363	2,490	1,107
Intensity (MWh/million RMB of revenue)	32.32	55.52	32.01	28.86

The municipal water supply network in the area provides the water utilized by the Group. Since the Group does not independently extract nearby water sources, there is no significant impact on surrounding water supplies. The Group consumed the following amount of water during the Track Record Period:

	FY2019	FY2020	FY2021	6M2022
Water consumption (m^3)	32,804	63,804	129,586	56,228
Intensity (m^3/million RMB of revenue)	110.30	225.54	378.91	336.78

The Group's greenhouse gas emissions are classified into scope 1 and scope 2, with scope 1 including direct emissions from stationary combustion sources, emissions from mobile combustion sources and emission reductions from tree planting, and scope 2 including energy indirect emissions from purchased electricity. The Group's suppliers are generally responsible to arrange delivery of raw materials to the Group's production facilities and the Group also engages third-party logistics service providers to deliver products to customers, which results in greenhouse gas emission. However, as the Group has no access to the emission data of these suppliers and third-party logistics service providers, measurement on scope 3 greenhouse gas emissions, which includes other indirect emissions from upstream and downstream activities as well as logistics and packing activities conducted by these external suppliers and service providers, is not available. Taking into consideration of price, quality and supply capacity, the Group will prioritise to source from local suppliers in Jiangxi province or adjacent provinces to shorten the transportation distance and in turn greenhouse gas emission. The Group also continuously monitors its stock level and purchase raw materials in bulk to minimise the numbers of delivery required. To the extent practicable, the Group seeks to request its suppliers to package the raw materials in bulk and reduce the packaging of the raw materials. Similarly, the Group communicates with customers to arrange bulk delivery of products in a single order to reduce numbers of delivery made. In addition, the Group will continuously to optimise its packing methods of cartons to reduce the amount of tap and wrapping film used.

	FY2019	FY2020	FY2021	6M2022
Total greenhouse gas emissions (tonnes CO_2 equivalent)	2,253	3,598	3,436	1,531
Scope 1 direct emission (tonnes CO_2 equivalent)	1,732	2,882	2,127	949
Scope 2 energy indirect emission (tonnes CO_2 equivalent)	521	716	1,309	582
Intensity (tonnes CO_2 equivalent/million RMB of revenue)	7.57	12.72	10.05	9.17

The energy consumption intensity and the greenhouse gas intensity demonstrated a reducing trend from FY2020 to 6M2022, indicating the Group's efforts to minimise energy consumption and greenhouse gas emissions using different measures. The reduction in energy consumption intensity resulted in climate-related opportunities, such as lower production costs due to the reduction in input prices and reduced exposure to future fossil fuel price increases. The reduction in greenhouse gas intensity brought climate-related opportunities, such as the reduction of possible future compliance costs, and reduced exposure to greenhouse gas emissions, therefore the Group is expected to be less sensitive to changes in possible future cost of carbon. The aforesaid measurement does not include the greenhouse gas emissions in relation to the Group's operation of concessionary counters in supermarkets, as the Group has no access to the greenhouse gas emissions data of the relevant supermarket customers. In order to reduce impact on the environment, the Group puts effort to reduce packaging or decoration materials or use recyclable materials such as paper instead of plastics at its concessionary counters in supermarkets. The Group also closely monitors its inventory level at concessionary counters and coordinates with the supermarket customers to optimise the product replenishment schedule and reduce the numbers of delivery made in order to reduce greenhouse gas emission.

The Group launched the meat snack products in FY2021 and the Group's key snack products during the Track Record Period have been shifted from vegetable products to meat products. The increase in the production of meat products resulted in an increase in water consumption intensity from FY2019 to FY2021. The increase in water consumption intensity would lead to climate-related risks, including the increase in production costs due to the changing input prices and output requirements for water treatment. The Group strives to implement water conservation measures to enhance efficiency, which resulted in a decrease in water consumption intensity in 6M2022. Operating costs relevant to water usage were reduced as a result of decreased water use and consumption.

The Group expects the total consumption of energy and water as well as greenhouse gas emission will inevitably increase alongside the construction of new snack production lines in Guangchang Plant and business expansion. The Group also expects the intensity of energy, water and greenhouse gas emissions will increase along its business expansion given that the Group is expected to use similar types of fuel for the new snack production lines and does not expect drastic change to its product types and production methods. Going forward, the Group will continuously strive to enhance our energy and water consumption efficiency and minimise greenhouse gas emissions gradually.

In the foreseeable future, the Directors expect there will be possible charges on greenhouse gas emissions, enhanced emission-reporting obligations and other emission compliance requirements. The Group may face higher compliance costs and fines in case the Group fails to comply with the reporting or compliance requirements. The Group will need to spend more research and development expenditures and capital investment in new and alternative technology. It is expected costs in relation to transition to lower emissions, water and energy consumption technology, and costs for adopting new practices and processes will be incurred. The Group will continuously monitor and assess its climate risk exposure and act to minimise the impact on its operations.

During the Track Record Period, the cost of mitigating environmental impact includes but is not limited to the fee for environmental projects and environmental impact assessment consulting, renovation projects on sewage and exhaust gas treatment, treatment agent, and equipment disinfection. The expenditure within the Track Record Period was shown as below:

	FY2019	**FY2020**	**FY2021**	**6M2022**
Cost of mitigating environmental impact (RMB'000)	19	103	1,230	1,330

The expected annual budget for future expenditure is no less than RMB1.2 million per year for environmental-related compliance costs to efficiently manage material ESG issues and to meet the Group's prospective targets in environmental, social and climate-related issues.

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)	Jiangxi Zhengwei	Nanchang Administration for Market Regulation (南昌縣市場監督管理局)	21 July 2022	11 April 2026	SC10336012110961
3.	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
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)	12 November 2019	11 November 2024	JY13601210014028
5.	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
6.	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
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)	16 April 2020	16 September 2023	JY13610300023226
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)	27 March 2020	26 March 2025	JY13610300032593
9.	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)
	2019	Guangchang Zhenglian	Science and Technology Department of Jiangxi Province (江西省科學技術廳), Department of Finance of Jiangxi Province (江西省財政廳) and Jiangxi Provincial Tax Service of State Taxation Administration (國家稅務總局江西省稅務局)

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

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

Certification	Specifications/Scope	Issuing Authority	Relevant Period
HACCP	HACCP certification for repackaging lotus seed, mushroom and black mushroom	China Quality Certification Centre (中國質量認証中心)	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 20 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 30 June 2022, we had 583 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	227
Production	258
Quality control	3
Administration	27
Procurement	5
Product development	50
Finance	13
Total	**583**

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

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

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 dried food product and snack producers in the PRC. Our Directors consider that consumers in the PRC select dried food products and snacks primarily based on price, brand recognition and taste, and we compete with our competitors on the basis of product quality, stability of supplies and the number and diversity of products. We consider competitors 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. In September 2022, Jiangxi Zhengwei and Guangchang Zhenglian had submitted application materials for registration of building ownership regarding the Nanchang Structures and the Guangchang

Structures, respectively. It is expected that building ownership registration will be completed within six months by March 2023. 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 transferable 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. As advised by our PRC Legal Advisers, Guangchang Real Estate Administration (廣昌縣房產管理局) and Guangchang Housing and Urban-Rural Development Administration (廣昌縣住房和城鄉建設局) were consulted respectively because they are two different relevant competent regulatory authorities for Guangchang Plant, which are responsible for the management of the completed properties and projects under construction, respectively.

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. As advised by our PRC Legal Advisers, 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) and Nanchang Housing Security Center (南昌縣住房保障中心) were consulted respectively because they are two different relevant competent regulatory authorities for Nanchang Plant which are responsible for the management of projects under construction and the completed properties, respectively.

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 consolidated 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 " Litigation and 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.

LITIGATION AND 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.

Litigation in respect of a procurement agreement entered into in May 2022

On 18 July 2022, Nanchang Gongkong Supply Chain Finance Co., Ltd.* (南昌工控供應鏈金融有限公司), an Independent Third Party (the "**Introducer**"), filed a lawsuit against (i) Ms. Wan Weihong, an independent supplier (the "**Supplier**"); (ii) Guangchang Zhenglian, as purchaser; (iii) Jiangxi Zhengwei; (iv) Nanchang Kaixing; (v) Mr. Yang; (vi) Ms. Lin; (vii) Mr. Li Hui; (viii) Ms. Zhang Rui (who is spouse of Mr. Li Hui); and (ix) Mr. Lan Hui, each as guarantor, in respect of a procurement agreement in relation to the purchase of 420 tonnes of frozen chicken feet (the "**Products**") at the purchase price of RMB8,190,000, to recover the advance payment of RMB4,095,000 (the "**Advance Payment**") and the capital occupancy costs accrued at an annualised interest rate of 15%.

The Introducer is established by state-owned enterprises as major shareholders to facilitate the development of small and medium enterprises located in Nanchang City, Jiangxi Province with its network of suppliers and resources. It took the initiative to approach Guangchang Zhenglian and introduced food production suppliers to Guangchang Zhenglian for its frozen food business. As the purchase price offered by the Supplier was very competitive and at the low-end, Guangchang Zhenglian entered into such procurement agreement with the Supplier as introduced by the Introducer. As confirmed by the Directors, the transaction with the Introducer and the Supplier was one-off in nature. Our Directors consider that it is not uncommon for dried food or snack producers to engage suppliers through introducers.

Pursuant to the procurement agreement, the Introducer paid the Advance Payment, being 50% of the total purchase price, to the Supplier. Subsequently, Guangchang Zhenglian inspected the Products and found that they were of a relatively bigger size than the raw materials normally procured by Guangchang Zhenglian. Therefore, Guangchang Zhenglian declined to accept and take delivery of the Products. The Introducer then requested for a refund of the Advance Payment from the Supplier, but the Supplier refused.

Pursuant to a civil mediation letter issued by the People's Court of Honggutan District, Nanchang City, Jiangxi Province (the "**Honggutan Court**"), the parties voluntarily reached an agreement, whereby amongst others, the Supplier agreed to return the Advance Payment to the Introducer by 31 August 2022 and the Introducer agreed to waive the capital occupancy costs. After the Supplier returned the Advance Payment to the Introducer, the Honggutan Court issued a case closure notice on 13 September 2022, confirming that the relevant dispute case has been duly completed.

Views of our Directors, the PRC Legal Advisers and the Sole Sponsor

Our Directors consider that such litigation did not and will not have any material operational or financial impact on our operations based on the advice from our PRC Legal Advisers, which confirmed that (i) the procurement arrangement entered into among Guangchang Zhenglian, the Introducer and the Supplier did not violate any PRC laws and regulations; and (ii) the litigation was fully settled, and each of Jiangxi Zhengwei, Guangchang Zhenglian, Nanchang Kaixing, Mr. Yang, Ms. Lin, Mr. Li Hui, Ms. Zhang Rui and Mr. Lan Hui will no longer be liable for any amount or has any further liability in relation to such litigation.

Based on the Sole Sponsor's review on relevant documents in relation to the aforesaid litigation, the PRC Legal Adviser's view and other independent due diligence work conducted by the Sole Sponsor including but not limited to discussions with the relevant parties, nothing has come to the Sole Sponsor's attention that would reasonably cause the Sole Sponsor to disagree with the Directors' view above and the Sole Sponsor is of the view that the aforesaid disclosure is accurate and complete in all material respects.

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.

As at the Latest Practicable Date, the Group has not received any orders from the relevant authorities to settle the outstanding amount of social insurance contributions and housing provident fund contributions. Since the Group has already made provisions for settling the outstanding social insurance and housing provident fund contributions during the Track Record Period, we will make full contributions or pay any shortfall within a prescribed time period if demanded by the relevant government authorities.

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 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,

In addition, our Group has adopted the below enhanced internal control measures in relation to the provision of guarantees by the Group:-

— at all times, all Group companies are strictly prohibited to provide guarantees in respect of any loans or indebtedness undertaken by any Directors, senior management or substantial shareholders (or their respective close associates);

— prior to **[REDACTED]**, the provision of guarantees to any entities (except the Group companies) or individuals shall be approved by (a) each independent Director (except the Director (or his/her associates) whose loan or indebtedness is proposed to be guaranteed by the Group companies); and (b) each independent Shareholder (except the Shareholder (or his/her/its associates) whose loan or indebtedness is proposed to be guaranteed by the Group companies); and

— upon **[REDACTED]**, the provision of guarantees to any entities (except the Group companies) or individuals shall be approved by (a) each independent non-executive Directors of the Company (except the independent non-executive Director (or his/her associates) whose loan or indebtedness is proposed to be guaranteed by the Group companies); and (b) the Shareholders in accordance with the Listing Rules.

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, Prosperous Season and Nanchang Tongli LP constitute a group of 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 31 October 2022, our borrowings in the amount of approximately RMB37,402,000 was guaranteed by our Controlling Shareholders. 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, all guarantees provided by our Group on our Controlling Shareholder's borrowings have been released, and the relevant borrowings of our Controlling Shareholders have been repaid.

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	16 December 2022	16 December 2022	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	16 December 2022	16 December 2022	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) . . .	55	Independent non-executive Director	16 December 2022	16 December 2022	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 licence revoked during his tenure:

Name of Company	Position	Status	Reasons of revocation of business licence/ deregistration	Date of revocation of business licence/ 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 licence 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 licences being revoked or their deregistration. Mr. Yang further confirmed that there was no wrongful act on his part leading to the revocation of business licences 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 licence 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 licence or deregistration. As advised by our PRC Legal Advisers, the revocation of business licence 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 16 December 2022. 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 16 December 2022. 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 55, has been appointed as an independent non-executive Director on 16 December 2022. 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 29 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 16 December 2022 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 16 December 2022 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 16 December 2022 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 55 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, FY2021 and 6M2022 were approximately RMB0.6 million, RMB0.6 million, RMB0.6 million and RMB0.3 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, FY2021 and 6M2022.

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, FY2021 and 6M2022 were approximately RMB0.4 million, RMB0.6 million, RMB1.0 million and RMB0.8 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 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 16 December 2022. 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.

SUBSTANTIAL SHAREHOLDERS

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 Scheme). 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 16 December 2022, 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 16 December 2022. 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 16 December 2022" 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]** on the Stock Exchange 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 Option Scheme).

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 consolidated financial statements as at and for each of the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022, 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 consolidated 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 mainly produce, and to a lesser extent trade, dried food products and snacks in Jiangxi Province, and to a lesser extent, Sichuan Province and Hubei Province. For an overview of our business, please refer to the paragraph headed "Business — Overview" in this document.

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 revenue increased from approximately RMB145.6 million for 6M2021 to approximately RMB167.0 million for 6M2022. During the Track Record Period, our gross profit were approximately RMB96.3 million, RMB90.6 million, RMB108.5 million and RMB54.0 million in FY2019, FY2020, FY2021 and 6M2022, respectively, representing a gross profit margin of approximately 32.4%, 32.0%, 31.7% and 32.3% for the same periods, respectively. Our net profit were approximately RMB40.9 million, RMB40.9 million, RMB48.3 million and RMB20.9 million in FY2019, FY2020, FY2021 and 6M2022, 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 consolidated 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 consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated 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 consolidated statements of financial position of our Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 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. For FY2019, FY2020, FY2021 and 6M2022, aggregate total purchases from our five largest suppliers in each year/period for the Track Record Period accounted for approximately 28.9%, 34.8%, 39.9% and 52.0% of our total purchases, respectively. For the same periods, purchase from our largest supplier accounted for approximately 6.9%, 10.4% and 13.3% and 19.1% of our total purchases, respectively. 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 raw materials 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, FY2021 and 6M2022, our direct material costs amounted to approximately RMB186.4 million, RMB172.2 million, RMB209.6 million and RMB102.6 million, respectively, representing approximately 92.7%, 89.5%, 89.8% and 90.8% 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.

We are exposed to concentration risk of reliance on our major customers, particularly supermarkets. 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, FY2021 and 6M2022, sales to our five largest customers in each year/period for the Track Record Period amounted to approximately RMB208.0 million, RMB207.0 million, RMB230.4 million and RMB108.2 million, representing approximately 70.0%, 73.2%, 67.4% and 64.8% of our total revenue, respectively. For the same periods, sales to the largest customer in each year/period for the Track Record Period amounted to approximately RMB108.1 million, RMB108.8 million, RMB128.3 million and RMB57.3 million, representing approximately 36.4%, 38.4%, 37.6% and 34.3% of our total revenue, respectively. We expect our revenue generated from such customers, particularly supermarkets, to continue being a significant portion of revenue in the foreseeable future.

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.

The summary of significant accounting policies is set out in Note 4 to the Accountant's Report set out in Appendix I to this document. Critical accounting estimates and judgements are set out in Note 5 of the Accountant's Report set out in Appendix I to this document. We set forth below the accounting policies, estimates and judgements that we believe are the most significant to our financial information or that involve the most significant judgements and estimates used in the preparation of our financial statements.

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 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 rises 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 goods or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

Accounting judgements and estimates

The following are the key assumptions concerning the future, and 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:

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

Goodwill, right-of-use assets, property, plant and equipment and intangible assets 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.

Our financial asset at fair value through other comprehensive income which was measured at level 3 as at 31 December 2019, 2020 and 2021 and 30 June 2022 comprised an unlisted equity investment in 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)).

In relation to the unlisted equity investment, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of underlying investment agreements; (ii) engaged independent business valuer, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information especially those non-market related information input, such as trading multiples of publicly traded companies and discount for lack of marketability, which require management assessments and estimates; and (iv) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared. Details of the fair value of the unlisted equity investment and corresponding significant unobservable input of the valuation are disclosed in Note 23 and Note 42(b) to the Accountants' Report in Appendix I to this document.

Details of the fair value measurement of the unlisted equity investment, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 23 and Note 42(b) to the Accountant's Report in Appendix I to this document which was issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on the Historical Financial Information of our Group for the Track Record Period as a whole and the Reporting Accountants opinion is set out on page I-2 of the Accountants' Report in Appendix I to this document.

The Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report set forth in Appendix I to this document; (ii) discussed with the Company to understand (a) the procedures performed for such valuation, (b) the key factors, valuation methodologies and key assumptions taken into account by the Company as advised by its external valuer, and (c) the internal process undertaken by the Company for reviewing the relevant valuation; (iii) review of the professional qualification and previous experience of the external valuer engaged by the Company; and (iv) discussed with (a) the external valuer engaged by the Company and (b) the Reporting Accountants on their work performed in this regard.

Having considered the work done by our Directors and the Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the attention of the Sole Sponsor that would reasonably cause them to disagree with the views of our Directors that the Company has complied with SFC's "Guidance note on directors' duties in the context of valuations in corporate transactions" in relation to the relevant valuation of financial assets and liabilities categorised within level 3 of fair value measurement.

(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 consolidated 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 or periods presented.

	FY2019	FY2020	FY2021	6M2021	6M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	297,398	282,889	341,998	145,595	166,956
Cost of sales	(201,147)	(192,301)	(233,518)	(103,170)	(112,987)
Gross profit	96,251	90,588	108,480	42,425	53,969
Other revenue	4,500	5,153	4,181	3,527	288
Other gains and losses	1,013	3,655	3,797	1,354	266
Distribution and selling expenses	(21,877)	(20,314)	(28,224)	(13,993)	(13,281)
Administrative expenses	(20,415)	(20,504)	(23,130)	(10,347)	(13,098)
Provision of impairment loss recognised on trade and other receivables and deposits, net	58	580	893	816	(152)
Finance costs	(7,530)	(7,760)	(6,150)	(3,242)	(1,814)
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Profit before income tax expense	48,262	47,313	57,844	19,263	22,722
Income tax expense	(7,317)	(6,374)	(9,552)	(2,502)	(1,853)
Profit for the year/period	40,945	40,939	48,292	16,761	20,869
Profit for the year/period attributable to:					
Owners of the Company	40,945	40,939	48,292	16,761	20,869

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

During FY2019, FY2020, FY2021 and 6M2022, we mainly generated revenue through two key sales channels, namely (i) direct sales to supermarket customers, amounting to approximately RMB208.1 million, RMB196.0 million, RMB230.8 million and RMB96.9 million or 70.0%, 69.3%, 67.5% and 58.0% of our total revenue, respectively, and (ii) sales through concessionary counters in supermarket stores, amounting to approximately RMB29.2 million, RMB38.7 million, RMB50.6 million and RMB30.9 million or 9.8%, 13.7%, 14.8% and 18.5% of our total revenue, respectively. For the details of our sales made through these two sales channels, please refer to the paragraph headed "Business — Sales Network — Retailers" in this document. We consider that the sales performance of concessionary counter at a particular supermarket store is largely dependent on the pedestrian traffic flow of that supermarket store as well as other factors such as reputation of such supermarket and its marketing strategy at the relevant time. Therefore, for analysis purpose in relation to the fluctuation of our financial performance during the Track Record Period, we have presented the direct sales to a particular supermarket customer together with the sales through concessionary counters in supermarket stores of that particular supermarket customer as sales attributable to that particular supermarket customer and we believe that such presentation would provide a broad picture of the Group's revenue generated from (i.e. direct sales) or in relation to (i.e. through concessionary counters) a particular supermarket customer when analysing the historical financial performance/trend. As a result, the term "sales from a particular customer", where applicable, entails both the direct sales to a particular supermarket customer and the sales through concessionary counter in the supermarket stores of that particular supermarket customer.

Revenue

During the Track Record Period, our revenue mainly represents (i) the sales from manufacturing of snacks and dried food products; and (ii) the sales from trading of snacks and dried food products. For FY2019, FY2020, FY2021, 6M2021 and 6M2022, we recorded total revenue of approximately RMB297.4 million, RMB282.9 million, RMB342.0 million, RMB145.6 million and RMB167.0 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		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Manufacturing										
Shengyao (聲耀)	205,826	69.2	208,308	73.6	221,060	64.6	88,339	60.7	132,601	79.4
Gangweifang (贛味坊). .	17,609	5.9	20,641	7.3	29,292	8.6	15,467	10.6	12,236	7.3
Subtotal	223,435	75.1	228,949	80.9	250,352	73.2	103,806	71.3	144,837	86.7
Trading	73,963	24.9	53,940	19.1	91,646	26.8	41,789	28.7	22,119	13.3
	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

Manufacturing

For FY2019, FY2020, FY2021 and 6M2022, approximately 75.1%, 80.9%, 73.2% and 86.7% 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 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 products under our own "Shengyao (聲耀)" brand accounted for approximately 69.2%, 73.6%, 64.6%, 60.7% and 79.4% of our revenue for FY2019, FY2020, FY2021, 6M2021 and 6M2022, respectively, while the sales of our products under our own "Gangweifang (贛味坊)" brand accounted for approximately 5.9%, 7.3%, 8.6%, 10.6% and 7.3% of our revenue for FY2019, FY2020, FY2021, 6M2021 and 6M2022, respectively.

The sales of our own-branded products contributed to a relatively larger share of our revenue, which represented approximately 75.1%, 80.9%, 73.2%, 71.3% and 86.7% for FY2019, FY2020, FY2021, 6M2021 and 6M2022, 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. Such increase was mainly attributable to (i) the increase in sale of dried aquatic products of approximately RMB28.6 million; and (ii) the increase in sale of snacks of approximately RMB2.7 million, and partially offset by (i) the decrease in sale of grains of approximately RMB14.3 million; and (ii) the decrease in sale of dried delicacies of approximately RMB10.9 million.

Our revenue generated from our own-branded products increased by approximately RMB21.5 million or 9.4% from approximately RMB228.9 million for FY2020 to approximately RMB250.4 million for FY2021. Such increase was mainly attributable to (i) the increase in sale of snacks of approximately RMB22.5 million; and (ii) the increase in sale of grains of approximately RMB4.9 million, and partially offset by the decrease in sale of dried delicacies of approximately RMB7.9 million.

Our revenue generated from our own-branded products increased by approximately RMB41.0 million or 39.5% from approximately RMB103.8 million for 6M2021 to approximately RMB144.8 million for 6M2022. Such increase was mainly attributable to (i) the increase in the sale of snacks of approximately RMB19.1 million; (ii) the increase in the sale of dried aquatic products of approximately RMB12.0 million; and (iii) the increase in the sale of dried delicacies of approximately RMB6.8 million.

For discussion on the reasons on fluctuation of the sales performance of our particular product line, please refer to the paragraph headed "Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (b) Revenue by product lines" in this section.

Shengyao (聲耀)

Our vegetable snacks under our own brands experienced a much higher growth rate than that of the market growth rate of vegetable snacks for FY2020, which was mainly attributable to the result of our newly launched spicy kelp series in late 2019 and spicy enoki mushroom series in FY2020. It is our strategy to continuously strive to innovate, diversify and improve the types of products we offer in variety of combinations of raw material, flavourings and packaging. As we have long operating history in Jiangxi Province, our Directors considered that we have relatively strong brand awareness in Jiangxi Province and adjacent provinces such as Hubei Province, Hunan Province, Zhejiang Province and Fujian Province, and we also understand the tastes and preferences of the local consumers. Leveraging our established relationship with key supermarket customers such as Customer Group A, Customer B and Jiangxi Guoguang Group, we successfully secured orders of our new vegetable snacks from these customers, which our Directors believe to be the key driver to our growth in sale of our vegetable snacks. 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 as Customer B, one of our five largest customers for the Track Record Period, started sourcing our dried cuttlefish of approximately RMB23.5 million since FY2020; and (ii) our Directors believe that the vegetable snack products launched in the second half of FY2019, such as the spicy kelp series and spicy bamboo shoots series, gained further recognition from our customers, in particular, (a) the sales of spicy kelp series increased by approximately RMB15.7 million; (b) the sales of spicy enoki mushroom series increased by approximately RMB11.3 million; and (c) the sales of spicy bamboo shoots crisps series increased by approximately RMB7.3 million, partially offset by the decrease in sale of fragrant lotus seeds by approximately RMB47.1 million. To the best knowledge of our Directors, the increase in the revenue generated from "Shengyao (聲耀)" brand products was mainly because (i) the consumers were more inclined to buy packaged and branded products with reliable quality, which are easier to be delivered to their doorsteps and stored at home during the lockdown period as compared to loose-package or products without brands and (ii) the increase in number of supermarket stores selling our products, in particular the dried cuttlefish, during FY2020.

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 the sale of our newly launched meat snacks in 2021 of approximately RMB60.7 million, in particular the sale of our marinated chicken wing tips series and roasted duck necks series of approximately RMB30.7 million; and partially offset by the decrease in sale of fragrant lotus seeds by approximately RMB40.9 million as a result of our cessation of this production line. We decided to cease production of fragrant lotus seeds and focus on other snacks because we anticipated that (i) the cost of raw materials would increase after the PRC government reclaimed the farmland of our suppliers; and (ii) the market demand for the fragrant lotus seeds would further decline based on the decreasing sales of such products for FY2020 as compared to FY2019. In addition, in light of our introduction of meat snacks, which were expected to have higher gross profit margin than our other product lines, we decided to concentrate our production effort as well as marketing resources to develop our new meat snack products. The decrease in sale of vegetable snacks was mainly due to our strategy to promote meat snacks where we allocated certain production resources for vegetable snacks to meat snacks.

The revenue generated from "Shengyao (聲耀)" brand products increased by approximately RMB44.3 million or 50.2% for 6M2022 from approximately RMB88.3 million for 6M2021 to approximately RMB132.6 million for 6M2022, which was mainly attributable to (i) the increase in sale of dried cuttlefish of approximately RMB6.9 million as a result of the increase in direct sales of our dried cuttlefish to Customer Group A, Customer B and Customer Group C and sales of dried cuttlefish through our concessionary counters operated with Customer Group A and Customer Group C, in particular in Jiangxi Province, for 6M2022 which our Directors consider to be an evidence to our relatively strong brand awareness in Jiangxi Province; and (ii) the increase in sale of our meat snacks, in particular, (a) the roasted duck neck series increased by approximately RMB11.4 million; (b) the braised duck wings increased by approximately RMB2.9 million; (c) the marinated chicken wing tip series increased by approximately RMB2.5 million; and (d) the chicken feet increased by approximately RMB1.4 million, coupled with the fact that bulk supply of our meat snack to our customers only began in the second quarter of FY2021 and this accounted for the significant improvement in revenue for 6M2022 as compared to 6M2021.

Gangweifang (贛味坊)

The revenue generated from "Gangweifang (贛味坊)" brand products increased by approximately RMB3.0 million or 17.0% 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. To the best knowledge of our Directors, such increase was mainly due to the promotion activities, such as in-store advertisements and placing our pistachios at eye-level shelves, held by Customer Group A and Customer B in the supermarkets at the relevant time. This was 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 42.2% 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. To the best knowledge of our Directors, such increase was mainly due to (i) bargain sales to certain supermarket customers during FY2021; and (ii) the increase in customer traffic in supermarkets after the situation of COVID-19 relieved.

The revenue generated from "Gangweifang (贛味坊)" brand products decreased by approximately RMB3.3 million or 21.3% from approximately RMB15.5 million for 6M2021 to approximately RMB12.2 million for 6M2022, which was mainly attributable to (i) the decrease in sale of pistachios of approximately RMB2.1 million; and (ii) the decrease in sale of macadamia of approximately RMB0.9 million.

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

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Vegetables	10,938	9.4	54,838	45.9	50,781	35.8	18,861	34.4	21,456	29.0
Meat	—	—	—	—	60,668	42.7	19,862	36.2	38,481	52.0
Nuts, seeds and candied fruits	105,814	90.6	64,657	54.1	30,524	21.5	16,160	29.4	14,053	19.0
	116,752	100.0	119,495	100.0	141,973	100.0	54,883	100.0	73,990	100.0

The revenue generated from 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 snacks under our own brand increased from approximately RMB54.9 million for 6M2021 to approximately RMB74.0 million for 6M2022.

Vegetables

The revenue generated from our vegetable snacks increased by approximately RMB43.9 million or over 4 times for FY2020, which was mainly attributable to (i) the increase in sale of spicy kelp series by approximately RMB15.7 million; (ii) the increase in sale of spicy enoki mushroom series by approximately RMB11.3 million; (iii) the increase in sale of spicy bamboo shoots crisp series by approximately RMB7.3 million; and (iv) the increase in sale of spicy lotus root slices by approximately RMB2.5 million. These products were launched in late 2019 or in 2020, therefore contributed to the increase in revenue from sale of vegetable snacks. Besides, the increase in the revenue generated from our vegetable snacks for FY2020 was mainly attributable to the increase in sale of vegetable snacks to China Post Group of approximately RMB5.9 million, in which, among others, (i) the sale of spicy bamboo shoots crisps series increased by approximately RMB2.6 million; and (ii) the sale of spicy kelp series increased by approximately RMB2.4 million. To the best knowledge of our Directors, China Post Group purchased our vegetable snacks to provide benefits to their employees.

The revenue generated from our vegetable snacks slightly decreased by approximately RMB4.0 million or 7.3% from approximately RMB54.8 million for FY2020 to approximately RMB50.8 million for FY2021. Such decrease was mainly attributable to decrease in sales order from China Post Group, which our Directors believe that due to the fierce competition in China Post Group's industry, China Post Group suspended the provision of welfare goods to their employees.

The revenue generated from our vegetable snacks increased by approximately RMB2.6 million or 13.8% from approximately RMB18.9 million for 6M2021 to approximately RMB21.5 million for 6M2022. Such increase was mainly attributable to (i) the increase in sales of spicy kelp series of approximately RMB1.4 million; (ii) the increase in sales of spicy bamboo shoots crisps series of approximately RMB0.7 million; and (iii) the increase in sales of spicy enoki mushroom series of approximately RMB0.2 million. Our Directors believe such increase in sale was attributable to our continuous effort to promote our products, in particular our competitive pricing strategy as compared to our competitors at the relevant time.

Meat

Our meat snacks was first launched in 2021 and recorded revenue of approximately RMB60.7 million in FY2021 which was mainly attributable to (i) the direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A of approximately RMB39.8 million, in which, among others, the sales of roasted duck neck series amounted to approximately RMB12.2 million and the sales of marinated chicken wing tips series amounted to approximately RMB8.8 million; and (ii) the direct sales to Customer Group C and sales through our concessionary counters operated with Customer Group C of approximately RMB5.1 million, in which, among others, the sales of roasted duck neck series amounted to approximately RMB2.0 million and the sales of marinated chicken wing tips series amounted to approximately RMB1.4 million.

The revenue generated from our meat snacks under our own brand increased by approximately RMB18.6 million or 93.5% for 6M2022. Such increase was mainly attributable to (i) the increase in sales of roasted duck neck series of approximately RMB11.4 million; (ii) the increase in sales of braised duck wings of approximately RMB2.9 million; and (iii) the increase in sales of chicken feet of approximately RMB1.4 million. As our meat snack was first launched in FY2021, and specifically during the first quarter of FY2021, bulk supply to our customers only began in the second quarter of FY2021, and this accounted for the significant improvement in revenue for 6M2022 as compared to 6M2021.

Nuts, seeds and candied fruits

The revenue generated from our own-branded nuts, seeds and candied fruits decreased by approximately RMB41.1 million or 38.8% from approximately RMB105.8 million for FY2019 to approximately RMB64.7 million for FY2020, which was mainly attributable to the decrease in sale of fragrant lotus seeds by approximately RMB47.1 million, and in particular the decrease in direct sales of fragrant lotus seeds to Customer Group A and sales of fragrant lotus seeds through our concessionary counters operated with Customer Group A, and partially offset by the increase in sale of pistachios by approximately RMB9.0 million.

The revenue generated from our own-branded nuts, seeds and candied fruits decreased by approximately RMB34.2 million or 52.9% for FY2021, which was mainly attributable to the decrease in sale of fragrant lotus seeds by approximately RMB40.9 million which we had ceased to produce and sell, partially offset by (i) the increase in sale of macadamia by approximately RMB2.8 million; (ii) the increase in sale of watermelon seeds by approximately RMB1.3 million; and (iii) the increase in sale of pecans by approximately RMB0.7 million. To the best knowledge of our Directors, such increase was mainly due to (i) bargain sales to certain supermarket customers during FY2021; and (ii) the increase in customer traffic in supermarkets after the situation of COVID-19 relieved.

The revenue generated from our own-branded nuts, seeds and candied fruits decreased by approximately RMB2.1 million or 13.0% from approximately RMB16.2 million for 6M2021 to approximately RMB14.1 million for 6M2022. Such decrease was mainly attributable to the decrease in sales of pistachios of approximately RMB2.1 million.

Trading

For FY2019, FY2020, FY2021 and 6M2022, approximately 24.9%, 19.1%, 26.8% and 13.3% of our revenue were generated from our trading business, respectively. Our trading business supplements our manufacturing business by diversifying our product and brand portfolios to better cater our customers' requirements. Under the trading business model, we source food products which we do not produce, for example, biscuits, jelly and turtle jelly, from third-party suppliers and resell them to our customers.

Our revenue generated from trading business decreased by approximately RMB20.1 million or 27.2% from approximately RMB74.0 million for FY2019 to approximately RMB53.9 million for FY2020. Such decrease was mainly attributable 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 snacks and grains by approximately RMB6.3 million and RMB3.4 million, respectively. To the best knowledge of our Directors, the decrease in sale of dried aquatic products was mainly due to the phenomenon that the consumers were more inclined to buy packaged and branded products with reliable quality, which are easier to be delivered to their doorsteps and stored at home during the lockdown period as compared to loose-package or products without brands.

Our revenue generated from trading business increased by approximately RMB37.7 million or 70.0% from approximately RMB53.9 million for FY2020 to approximately RMB91.6 million for FY2021. Such increase was mainly attributable to the increase in sales of dried delicacies and snacks of approximately RMB24.9 million and RMB11.2 million, respectively, and partially offset by the decrease in sales of grains of approximately RMB1.5 million. To the best knowledge of our Directors, the increase in sales of dried delicacies and snacks was mainly due to the increase in customer traffic in supermarkets after the situation of COVID-19 relieved, and therefore increasing the sales order from supermarket customers.

Our revenue generated from trading business decreased by approximately RMB19.7 million or approximately 47.1% for 6M2022 from approximately RMB41.8 million for 6M2021 to approximately RMB22.1 million for 6M2022. Such decrease was mainly attributable to the decrease in sales of snacks of approximately RMB15.4 million. Our Directors consider that the decrease in revenue generated from our trading business is in line with our business strategy to prioritise promotion and sales of our own-branded products, and position our trading business as supplementary to our manufacturing business.

(b) Revenue by product lines

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

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Snacks	128,419	43.2	137,426	48.6	171,059	50.0	73,733	50.6	77,467	46.4
Dried delicacies	86,800	29.2	70,454	24.9	87,410	25.6	37,375	25.7	50,471	30.2
Dried aquatic products	46,716	15.7	52,965	18.7	59,002	17.3	22,712	15.6	29,299	17.6
Grains	28,791	9.7	17,899	6.3	21,358	6.2	10,501	7.2	8,188	4.9
Seasonings and others	6,672	2.2	4,145	1.5	3,169	0.9	1,274	0.9	1,531	0.9
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	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		6M2021		6M2022	
	Sales volume	Average selling price per kg	Sales volume	Average selling price per kg	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)*	*(tonne)*	*(RMB)*	*(tonne)*	*(RMB)*
Snacks	2,308	55.6	3,369	40.8	4,046	42.3	1,796	41.1	1,948	39.8
Dried delicacies	1,281	67.8	1,127	62.5	1,098	79.6	469	79.7	603	83.8
Dried aquatic products	392	119.2	379	139.7	426	138.5	186	122.1	210	139.5
Grains	3,510	8.2	1,546	11.6	1,754	12.2	891	11.8	646	12.7
Seasonings and others	514	13.0	343	12.1	314	10.1	125	10.2	146	10.5
Total	8,005	N/A	6,764	N/A	7,638	N/A	3,467	N/A	3,553	N/A

During the Track Record Period, sales from supermarkets and concessionary counters accounted for a significant portion of our total revenue. Our Directors believe the fluctuation trend in the sales of our products in different product lines was primarily attributable to (i) the change in consumers' preference on particular products in the local markets of which the supermarket outlets of our key supermarket customers such as Customer Group A, Customer B and Jiangxi Guoguang Group are located or where we operate our concessionary counters; (ii) our supermarket customers' marketing and promotion strategies on particular products; and (iii) our business decision to strategically accept fewer orders or cease to sell particular products due to increase in costs or to promote particular products of relatively higher gross profit margin.

Snacks

For FY2019, FY2020, FY2021 and 6M2022, our sales of snacks represented the largest proportion of our revenue, which accounted for approximately 43.2%, 48.6%, 50.0% and 46.4%, respectively.

The revenue generated from snacks increased by approximately RMB9.0 million or 7.0% from approximately RMB128.4 million for FY2019 to approximately RMB137.4 million for FY2020. The sales volume of snacks increased by approximately 1,061 tonne or 46.0% from approximately 2,308 tonne for FY2019 to approximately 3,369 tonne for FY2020, which was mainly due to the increase in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A, in which, among others, (i) the sales volume of spicy kelp series increased by approximately 463 tonne; (ii) the sales volume of spicy enoki mushroom series increased by approximately 275 tonne; and (iii) the sales volume of spicy bamboo shoots crisps series increased by approximately 203 tonne. However, our average selling price of 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 of spicy kelp series, which was launched in late 2019, with a relatively lower average selling price of approximately RMB25.6 per kg; (ii) the launch of our new spicy enoki mushroom series in FY2020 with a relatively lower average selling price of approximately RMB39.8 per kg; and (iii) the decrease in sales of fragrant lotus seeds with a relatively higher average selling price of approximately RMB77.1 per kg resulted from consumption declines in FY2020. Generally, our vegetable snacks have lower average selling price than our nuts products because the cost of raw materials of vegetables are generally lower than nuts.

The revenue generated from snacks further increased by approximately RMB33.7 million or 24.5% from approximately RMB137.4 million for FY2020 to approximately RMB171.1 million for FY2021. The sales volume of snacks increased by approximately 677 tonne or 20.1% from approximately 3,369 tonne for FY2020 to approximately 4,046 tonne for FY2021, which was mainly due to (i) the increase in direct sales to Customer Group C and sales through our concessionary counters operated with Customer Group C, in which, among others, (a) the sales volume of pistachios increased by approximately 105 tonne; (b) the sales volume of roasted duck neck series increased by approximately 35 tonne; and (c) the sales volume of marinated chicken wing tips series increased by approximately 25 tonne; and (ii) the increase in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A, in which, among others, (a) the sales volume of roasted duck neck series increased by approximately 158 tonne; and (b) the sales volume of marinated chicken wing tips series increased by approximately 117 tonne and in particular, leveraging our established relationship with Customer Group A and track record in supplying dried food products and snacks to its supermarket outlets, Customer Group A further ordered our own-branded vegetable and meat snacks for its supermarket outlets in Sichuan Province, which our Directors believe that the spicy flavours of our own-branded snacks suit the local consumers' tastes and preferences. Besides, our average selling price of 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 meat snacks products, in particular the marinated chicken wing tips series and roasted duck necks series, 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 of fragrant lotus seeds with a higher average selling price of approximately RMB77.1 per kg as we ceased to produce this product in FY2021.

The revenue generated from snacks increased by RMB3.8 million or approximately 5.2% from approximately RMB73.7 million for 6M2021 to approximately RMB77.5 million for 6M2022. The sales volume of snacks increased by approximately 152 tonne or 8.5% from approximately 1,796 tonne for 6M2021 to approximately 1,948 tonne for 6M2022, which was mainly due to the increase in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A, in which, among others, (i) the sales volume of spicy kelp series increased by approximately 59 tonne; (ii) the sales volume of braised duck wings increased by approximately 47 tonne; (iii) the sales volume of roasted duck neck series increased by approximately 33 tonne; and (iv) the sales volume of marinated chicken wing tips series increased by approximately 26 tonne. However, our average selling price decreased from approximately RMB41.1 per kg for 6M2021 to approximately RMB39.8 per kg for 6M2022, which was the net effect of (i) the increase in sales of roasted duck necks with a relatively lower average selling price of approximately RMB34.8 per kg; (ii) the increase in sales of spicy kelp series with a relatively lower average selling price of approximately RMB28.4 per kg; and (iii) the increase in sales of spicy enoki mushroom series with average selling price of approximately RMB39.5 per kg.

Dried delicacies

For FY2019, FY2020, FY2021 and 6M2022, our sales of dried delicacies represented the second largest proportion of our revenue, which accounted for approximately 29.2%, 24.9%, 25.6% and 30.2%, 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. The sale volume of dried delicacies remained relatively stable at approximately 1,281 tonne and 1,127 tonne for FY2019 and FY2020, respectively. However, 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 of black fungi with a relatively higher average selling price of approximately RMB80.9 per kg; (ii) the decrease in sales of dried mushroom with a relatively higher average selling price of approximately RMB95.8 per kg; (iii) the decrease in sales of dried agrocybe aegerita with a relatively higher average selling price of approximately RMB123.0 per kg; and (iv) the increase in sales of canned bamboo shoots with a relatively lower average selling price of approximately RMB21.3 per kg.

Our sales of dried delicacies increased by approximately RMB16.9 million or 24.0% from approximately RMB70.5 million for FY2020 to approximately RMB87.4 million for FY2021. The sale volume of dried delicacies remained relatively stable at approximately 1,127 tonne and 1,098 tonne for FY2020 and FY2021, respectively. However, our average selling price of dried delicacies increased from approximately RMB62.5 per kg for FY2020 to approximately RMB79.6 per kg for FY2021, which was mainly due to (i) the increase in sales of our lotus seeds with a relatively higher average selling price of approximately RMB88.9 per kg; and (ii) that we did not receive order for canned bamboo shoots, which was a product of relatively lower average selling price among our dried delicacies, in FY2021.

Our sales of dried delicacies increased by approximately RMB13.1 million or 35.0% from approximately RMB37.4 million for 6M2021 to approximately RMB50.5 million for 6M2022. The sales volume of dried delicacies increased by approximately 134 tonne or 28.6% from approximately 469 tonne for 6M2021 to approximately 603 tonne for 6M2022, which was mainly due to the increase in sales order from Customer B, in which, among others, (i) the sales volume of lotus seeds increased by approximately 72 tonne; (ii) the sales volume of black fungi increased by approximately 54 tonne; and (iii) the sales volume of dried mushroom increased by approximately 29 tonne. Besides, our average selling price of dried delicacies increased from approximately RMB79.7 per kg for 6M2021 to approximately RMB83.8 per kg for 6M2022, mainly attributable to (i) the increase in sales of black fungi with a relatively higher average selling price of approximately RMB87.4 per kg; and (ii) the increase in sales of lotus seeds with a relatively higher average selling price of approximately RMB83.2 per kg.

Dried aquatic products

For FY2019, FY2020, FY2021 and 6M2022, our sales of dried aquatic products represented approximately 15.7%, 18.7%, 17.3% and 17.6% of our revenue, respectively.

Our revenue generated from dried aquatic products increased by approximately RMB6.3 million or 13.5% from approximately RMB46.7 million for FY2019 to approximately RMB53.0 million for FY2020. The sale volume of dried aquatic products remained relatively stable at approximately 392 tonne and 379 tonne for FY2019 and FY2020, respectively. However, 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 sales of dried cuttlefish with a relatively higher average selling price at RMB169.5 per kg; and (ii) the decrease in sales of kelp 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 11.3% from approximately RMB53.0 million for FY2020 to approximately RMB59.0 million for FY2021. To the best knowledge of our Directors, the increase in the sales of dried aquatic products was mainly because (i) the consumers were paying more attention to health in light of the COVID-19 while the aquatic products possess relatively high nutritional value and low calorie and (ii) the increase in number of supermarket stores selling our products, in particular the dried cuttlefish, since FY2020. The sale volume of dried aquatic products increased slightly by approximately 47 tonne or 12.4% from approximately 379 tonne for FY2020 to approximately 426 tonne for FY2021, which was mainly due to the increase in direct sales to Customer Group C and sales through our concessionary counters operated with Customer Group C, in which, among others, (i) the sales volume of dried cuttlefish increased by approximately 20 tonne; and (ii) the sales volume of dried shrimp increased by approximately 18 tonne. Our average selling price of dried aquatic products remained relatively stable at approximately RMB139.7 per kg and RMB138.5 per kg for FY2020 and FY2021, respectively.

Our sales of dried aquatic products increased by approximately RMB6.6 million or 29.1% from approximately RMB22.7 million for 6M2021 to approximately RMB29.3 million for 6M2022. The sales volume of dried aquatic products increased by approximately 24 tonne or 12.9% from approximately 186 tonne for 6M2021 to approximately 210 tonne for 6M2022, which was mainly due to (i) the increase in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A, in which, among others, the sales volume of dried cuttlefish increased by approximately 12 tonne; and (ii) the increase in direct sales to Customer Group C and sales through our concessionary counters operated with Customer Group C, in which, among others, the sales volume of dried cuttlefish increased by approximately 12 tonnes. Besides, our average selling price increased from approximately RMB122.1 per kg for 6M2021 to approximately RMB139.5 per kg for 6M2022. Such increase was primarily due to (i) the increase in sales of dried cuttlefish with a relatively higher average selling price of approximately RMB172.1 per kg; and (ii) the increase in sales of dried whitebait with a relatively higher average selling price of approximately RMB276.0 per kg.

Grains

For FY2019, FY2020, FY2021 and 6M2022, our sales of grains represented approximately 9.7%, 6.3%, 6.2% and 4.9% 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. The sales volume of grains decreased by approximately 1,964 tonne or 56.0% from approximately 3,510 tonne for FY2019 to approximately 1,546 tonne for FY2020, which was mainly due to the decrease in direct sales to Customer Group C and sales through our concessionary counters operated with Customer Group C, in which, among others, the sales volume of rice decreased by approximately 1,484 tonne. However, 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 of rice with a relatively lower average selling price of approximately RMB6.0 per kg; partially offset by the decrease in sales of green bean with a relatively higher average selling price of approximately RMB14.4 per kg.

Our revenue generated from grains increased by approximately RMB3.5 million or 19.6% from approximately RMB17.9 million for FY2020 to approximately RMB21.4 million for FY2021. The sale volume of grains slightly increased by approximately 208 tonne or 13.5% from approximately 1,546 tonne for FY2020 to approximately 1,754 tonne for FY2021, which was mainly due to the increase in sales order from Customer B, in which, among others, the sales volume of green beans increased by approximately 105 tonne. However, our average selling price increased from approximately RMB11.6 per kg for FY2020 to approximately RMB12.2 per kg for FY2021. Such increase was mainly attributable to the recovery in our sales from green bean with a relatively higher average selling price of approximately RMB14.2 per kg.

Our revenue generated from grains decreased by approximately RMB2.3 million or 22.0% from approximately RMB10.5 million for 6M2021 to approximately RMB8.2 million for 6M2022. The sales volume of grains decreased by approximately 245 tonne or 27.5% from approximately 891 tonne for 6M2021 to approximately 646 tonne for 6M2022, which was mainly due to the decrease in sales order from Customer B, in which, among others, (i) the sales volume of millet decreased by approximately 109 tonne; and (ii) the sales volume of rice decreased by approximately 100 tonne. However, the average selling price increased from RMB11.8 per kg for 6M2021 to approximately RMB12.7 per kg for 6M2022, mainly attributable to the decrease in sales of rice with a relatively lower average selling price of approximately RMB5.6 per kg.

Seasonings and others

For FY2019, FY2020, FY2021 and 6M2022, our sales of seasonings and others represented approximately 2.2%, 1.5%, 0.9% and 0.9% of our revenue, respectively.

Our revenue generated from seasonings and others decreased by approximately RMB2.6 million or 38.8% from approximately RMB6.7 million in FY2019 to approximately RMB4.1 million in FY2020 and further decreased to approximately RMB3.2 million in FY2021. The sales volume of seasonings and others decreased by approximately 171 tonne or 33.3% from approximately 514 tonne for FY2019 to approximately 343 tonne for FY2020, which was mainly attributable to the decrease in sales order from Customer B, in which, among others, the sales volume of white sugar decreased by approximately 100 tonne. The sales volume of seasonings and others remained relatively stable at approximately 314 tonne for FY2021. However, the average selling price of seasonings and others decreased from approximately RMB13.0 per kg for FY2019 to approximately RMB12.1 per kg for FY2020, and further decreased to approximately RMB10.1 per kg for FY2021. Such decreasing trend was largely in line with the average selling price of edible oil 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.

Our revenue generated from seasoning and others remained relatively stable at approximately RMB1.3 million and RMB1.5 million for 6M2021 and 6M2022, respectively, and the average selling price also remained relatively stable at approximately RMB10.2 per kg and RMB10.5 per kg for 6M2021 and 6M2022, respectively.

(c) Revenue by delivery destinations

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Jiangxi Province	191,407	64.4	166,996	59.0	184,791	54.0	78,897	54.2	85,575	51.3
Hubei Province	32,341	10.9	74,884	26.5	32,434	9.5	15,725	10.8	8,204	4.9
Zhejiang Province.	13,649	4.6	6,998	2.5	12,822	3.7	7,603	5.2	14,036	8.4
Sichuan Province (including Chongqing).	28	0.0	8,143	2.9	74,071	21.7	25,309	17.4	39,430	23.6
Hunan Province.	31,542	10.6	11,922	4.2	12,150	3.6	6,291	4.3	9,041	5.4
Fujian Province.	7,516	2.5	5,815	2.1	10,709	3.1	5,518	3.8	4,620	2.8
Shaanxi Province	5,128	1.7	3,629	1.3	4,324	1.3	1,922	1.3	1,375	0.8
Anhui Province	1,277	0.4	463	0.2	1,024	0.3	355	0.2	411	0.2
Shandong Province	—	—	130	0.0	1,119	0.3	400	0.3	663	0.4
Guangdong Province	1	0.0	86	0.0	1,699	0.5	444	0.3	1,094	0.7
Jiangsu Province	3,825	1.3	2,172	0.8	341	0.1	253	0.2	121	0.1
Other provinces, autonomous regions and municipalities *(Note)*	10.684	3.6	1,651	0.5	6,514	1.9	2,878	2.0	2,386	1.4
Total.	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

Note: Other provinces, autonomous regions and municipalities comprise Hebei Province, Inner Mongolia Autonomous Region, Shanxi Province, Liaoning Province, Henan Province, Ningxia Hui Autonomous Region, 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.

Fluctuation of our revenue by delivery destinations during the Track Record Period was mainly driven by the change of delivery destinations in accordance to instructions of our supermarket customers based on, to the best knowledge of our Directors, their procurement strategies, sales performance of particular outlets, supply chain and logistics arrangement in particular province and at particular point of time as well as their product promotion plans and sales events.

Jiangxi Province

For FY2019, FY2020, FY2021 and 6M2022, our sales to Jiangxi Province represented the largest proportion of our revenue, which accounted for approximately 64.4%, 59.0%, 54.0% and 51.3%.

Our sales to Jiangxi Province decreased by approximately RMB24.4 million or 12.7% from approximately RMB191.4 million for FY2019 to approximately RMB167.0 million for FY2020. Such decrease was mainly attributable to the decrease in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A of approximately RMB28.0 million. In FY2020, a large number of farmers' markets, grocery shops and convenience stores were closed due to the outbreak of COVID-19 in Wuhan, Hubei Province, Customer Group A, being a large-scale supermarket chain, acted as one of the major grocery suppliers to supply food and daily necessities to the local residents during the lockdown period. To ensure sufficient supplies to Hubei Province, Customer Group A requested our Group to increase deliveries to Hubei Province while reducing deliveries to their supermarket outlets in Jiangxi Province, as well as other provinces.

Our sales to Jiangxi Province increased by approximately RMB17.8 million or 10.7% from approximately RMB167.0 million for FY2020 to approximately RMB184.8 million for FY2021. Such increase was mainly attributable to the increase in direct sales to Customer Group C and sales through our concessionary counters operated with Customer Group C of approximately RMB13.8 million, in which, among others, (i) the sales of pistachios increased by approximately RMB3.5 million; (ii) the sales of roasted duck neck series increased by approximately RMB2.0 million; and (iii) the sales of marinated chicken wing tips series increased by approximately RMB1.4 million.

Our sales to Jiangxi Province increased by approximately RMB6.7 million or 8.5% from approximately RMB78.9 million for 6M2021 to approximately RMB85.6 million for 6M2022. Such increase was mainly attributable to the increase in sales to Customer B of approximately RMB9.4 million, in which, among others, (i) the sales of lotus seeds increased by approximately RMB5.6 million; and (ii) the sales of black fungi increased by approximately RMB4.2 million, and partially offset by the decrease in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A of approximately RMB1.6 million.

Hubei Province

Our sales to Hubei Province increased by approximately RMB42.6 million or 131.9% from approximately RMB32.3 million for FY2019 to approximately RMB74.9 million for FY2020. Such increase was mainly attributable to the increase in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A of approximately RMB46.0 million, in which, among others, (i) the sales of spicy kelp series increased by approximately RMB13.0 million; (ii) the sales of spicy bamboo shoots crisps series increased by approximately RMB12.1 million; and (iii) the sales of spicy enoki mushroom series increased by approximately

RMB10.9 million. In FY2020, due to the outbreak of COVID-19, to ensure sufficient supplies to Hubei Province, Customer Group A requested our Group to increase deliveries to Hubei Province while reducing deliveries to their supermarket outlets in other provinces.

Our sales to Hubei Province decreased by approximately RMB42.5 million or 56.7% from approximately RMB74.9 million for FY2020 to approximately RMB32.4 million for FY2021. Such decrease was mainly attributable to the decrease in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A of approximately RMB43.0 million, in which, among others, (i) the sales of fragrant lotus seeds decreased by approximately RMB21.4 million; (ii) the sales of spicy bamboo shoots crisps series decreased by approximately RMB14.9 million; and (iii) the sales of spicy kelp series decreased by approximately RMB13.0 million. Once the outbreak in Hubei Province became stabilised, our deliveries made to Customer Group A's supermarket outlets in Hubei Province significantly decreased while deliveries made to its supermarket outlets in Jiangxi Province and Shaanxi Province increased.

Our sales to Hubei Province decreased by approximately RMB7.5 million or 47.8% from approximately RMB15.7 million for 6M2021 to approximately RMB8.2 million for 6M2022. Such decrease was mainly attributable to the decrease in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A of approximately RMB7.4 million, in which, among others, the sales of lotus seeds decreased by approximately RMB6.4 million.

Zhejiang Province

Our sales to Zhejiang Province decreased by approximately RMB6.6 million or 48.5% from approximately RMB13.6 million for FY2019 to approximately RMB7.0 million for FY2020. Such decrease was mainly attributable to the decrease in direct sales to Customer Group C and sales through our concessionary counters operated with Customer Group C of approximately RMB6.0 million, in which, among others, the sales of rice decreased by approximately RMB7.0 million.

Our sales to Zhejiang Province increased by approximately RMB5.8 million or 82.9% from approximately RMB7.0 million for FY2020 to approximately RMB12.8 million for FY2021. Such increase was mainly attributable to the increase in sales of pistachios of approximately RMB3.2 million attributable to several customers, including Customer Group C.

Our sales to Zhejiang Province increased by approximately RMB6.4 million or 84.2% from approximately RMB7.6 million for 6M2021 to approximately RMB14.0 million for 6M2022. Such increase was mainly attributable to the increase in sales order to Ningbo Haishu, a new non-supermarket customer since 2021 and one of our five largest customers for 6M2022, of approximately RMB11.0 million, in which, among others, (i) the sales of roasted duck neck series increased by approximately RMB6.1 million; and (ii) the sales of lotus seeds increased by approximately RMB4.0 million, and partially offset by the decrease in direct sales to Customer Group C and sales through our concessionary counters operated with Customer Group C of approximately RMB6.9 million, in which, among others, (i) the sales of pistachios decreased by approximately RMB2.5 million; (ii) the sales of black fungi decreased by approximately RMB1.1 million; and (iii) the sales of dried mushroom decreased by approximately RMB1.0 million.

Sichuan Province (including Chongqing)

Leveraging our established relationship with Customer Group A, we successfully secured orders of snack products such as nuts and biscuits for its outlets in Sichuan Province (including Chongqing), as well as our spicy vegetable and meat snacks which our Directors believe that the spicy flavours of our snacks suit the local consumers' tastes and preferences, and accordingly our sales generated from Sichuan Province (including Chongqing) demonstrated an increasing trend during the Track Record Period.

Our sales to Sichuan Province (including Chongqing) increased significantly from approximately RMB28,000 for FY2019 to approximately RMB8.1 million for FY2020. Such increase was mainly attributable to the increase in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A of approximately RMB8.1 million, in which, among others, the sales of pistachios increased by approximately RMB4.5 million.

Our sales to Sichuan Province (including Chongqing) increased significantly from approximately RMB8.1 million for FY2020 to approximately RMB74.1 million for FY2021. Such increase was mainly attributable to the increase in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A of approximately RMB64.7 million, in which, among others, (i) the sales of spicy bamboo shoots crisps series increased by approximately RMB18.4 million; (ii) the sales of spicy enoki mushroom series increased by approximately RMB13.9 million; and (iii) the sales of spicy kelp series increased by approximately RMB13.0 million.

Our sales to Sichuan Province (including Chongqing) increased by approximately RMB14.1 million or 55.7% from approximately RMB25.3 million for 6M2021 to approximately RMB39.4 million for 6M2022. Such increase was mainly attributable to the increase in direct sales to Customer Group A and sales through our concessionary counters operated with Customer Group A of approximately RMB14.0 million, in which, among others, (i) the sales of lotus seeds increased by approximately RMB6.4 million; (ii) the sales of spicy kelp series increased by approximately RMB1.6 million; (iii) the sales of braised duck wings increased by approximately RMB1.5 million; and (iv) the sales of roasted duck neck series increased by approximately RMB1.3 million.

Hunan Province

Our sales to Hunan Province decreased by approximately RMB19.6 million or 62.2% from approximately RMB31.5 million for FY2019 to approximately RMB11.9 million for FY2020. Such decrease was mainly attributable to the decrease in direct sales of fragrant lotus seeds to Customer Group A and sales of fragrant lotus seeds through our concessionary counters operated with Customer Group A of approximately RMB19.0 million.

Our sales to Hunan Province remained relatively stable at approximately RMB11.9 million and RMB12.2 million for FY2020 and FY2021, respectively.

Our sales to Hunan Province increased by approximately RMB2.7 million or 42.9% from approximately RMB6.3 million for 6M2021 to approximately RMB9.0 million for 6M2022. Such increase was mainly attributable to the increase in direct sales of pistachios to Customer Group A and sales of pistachios through our concessionary counters operated with Customer Group A of approximately RMB1.8 million.

(d) 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		6M2021		6M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Retailers										
Supermarkets	208,097	70.0	196,040	69.3	230,751	67.5	92,531	63.6	96,903	58.0
Grocery stores	1,588	0.5	1,935	0.7	6,604	1.9	2,537	1.7	4,134	2.5
Subtotal	209,685	70.5	197,975	70.0	237,355	69.4	95,068	65.3	101,037	60.5
Corporate customers	57,215	19.2	42,251	14.9	51,261	15.0	22,376	15.4	34,964	21.0
Concessionary counters	29,198	9.8	38,697	13.7	50,559	14.8	25,865	17.8	30,918	18.5
E-commerce	841	0.3	3,944	1.4	2,728	0.8	2,190	1.5	37	0.0
Others *(Note)*	459	0.2	22	0.0	95	0.0	96	0.0	—	N/A
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	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

For FY2019, FY2020, FY2021 and 6M2022, our sale to retailers represented the largest share of our revenue, accounted for approximately 70.5%, 70.0%, 69.4% and 60.5%, respectively.

Supermarkets

Our sale to supermarkets decreased from approximately RMB208.1 million for FY2019 to approximately RMB196.0 million for FY2020. Such decrease was mainly due to (i) the decrease in direct sale to Customer Group C by approximately RMB5.0 million of which the sale was shifted to concessionary counters sale; and (ii) the decrease in direct sale of grains products to Customer B by approximately RMB6.0 million.

During FY2021, our sale to supermarkets increased by approximately RMB34.8 million or 17.8%. Such increase was mainly attributable to increase in direct sale to Customer Group A by approximately RMB39.8 million in relation to our newly launched meat snacks. To the best knowledge of our Directors, such increase was mainly due to (i) bargain sales to certain supermarket customers during FY2021; and (ii) the increase in customer traffic in supermarkets after the COVID-19 relieved.

Our sale to supermarkets increased by approximately RMB4.4 million or 4.8% from approximately RMB92.5 million for 6M2021 to approximately RMB96.9 million for 6M2022. Such increase was mainly due to the increase in direct sales to Customer Group A (mainly to Sichuan Province (including Chongqing)) by approximately RMB5.7 million. Our Directors believe that the spicy flavours of our snacks suit the local consumers' tastes and preferences there, and therefore the corresponding increase in sales order.

Non-retailers

Corporate customers

Our sale to corporate customers decreased by approximately RMB14.9 million or 26.0% 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 cuttlefish by approximately RMB5.6 million for FY2021.

Our sale to corporate customers increased by approximately RMB12.6 million or 56.3% for 6M2022. Such increase was mainly attributable to the increase in sale of roasted duck neck series of approximately RMB8.3 million from approximately RMB0.7 million for 6M2021 to approximately RMB9.1 million for 6M2022.

To the best knowledge of our Directors, the increase in our sale to corporate customers for FY2021 and 6M2022 was mainly attributable to (i) more gift giving among the business communities in light of the COVID-19 relief; (ii) our newly launched meat snacks during FY2021; and (iii) the increase in the number of corporate customers during the relevant year/period.

Concessionary counters

Our sales over 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 below; (ii) the increase in revenue by approximately RMB4.5 million generated from concessionary counters operated in Customer Group A's outlets which our Directors considered that such increase was mainly because Customer Group A had launched several marketing campaigns for nuts products; and (iii) in general, the number of concessionary counters of our Group as a whole increased from 94 for FY2019 to 120 for FY2020. In FY2020, the number of sales representatives and promoters decreased as compared with FY2019 and such decrease was mainly because our Group had recruited more promotors in FY2019 for promoting our new snack products including fragrant lotus seeds, spicy bamboo shoot crisps series and spicy kelp series, which was a new product category at that time and the Group considered that it would be important to devote more marketing resources to develop and promote this new product category for our Group's long term development. In FY2020, as consumers became more familiar with our brand and snack products, we gradually reduced the number of full-time promoters and no longer required temporary promoters. Therefore, notwithstanding such decrease in the number of sales representative and promoters in our Group as a whole in FY2020, our sales over concessionary counters increased and was mainly attributable to our sales of other products, such as pistachios.

During FY2021, our sales over concessionary counters increased by approximately RMB11.9 million, such increase was mainly due to (i) the increase in customer traffic in supermarkets after the COVID-19 relieved; and (ii) 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 sales over concessionary counters increased by approximately RMB5.0 million or 19.3% from approximately RMB25.9 million for 6M2021 to approximately RMB30.9 million for 6M2022. Such increase was mainly due to the increase in sales over concessionary counters at Customer Group C's outlets by approximately RMB5.1 million. The number of our concessionary counters operated in Customer Group C's supermarkets increased to 57, all of which were situated in Jiangxi Province where our Directors considered we have relatively strong brand awareness.

Our Directors considered that sales over concessionary counters directly increased our brand exposure to the public. As at 31 December 2019, 2020 and 2021 and 30 June 2022, we had 94, 120, 120 and 121 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.

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.

Our sale from E-commerce decreased from approximately RMB2.2 million for 6M2021 to approximately RMB37,000 for 6M2022. Our Directors believe this was a result of consumers' preference for in-store shopping after the PRC government gradually relieved the pandemic prevention and control measures.

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/periods indicated:

	FY2019	FY2020	FY2021	6M2021	6M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Direct materials costs	186,391	172,187	209,577	90,645	102,615
Production costs	7,343	9,467	12,001	6,500	5,761
Direct labour costs	7,310	11,065	11,820	6,295	4,882
(Reversal of) provision for sales return, net	1,197	209	(51)	(270)	(100)
(Reversal of) provision for obsolete inventories	(1,094)	(627)	171	—	(171)
	201,147	192,301	233,518	103,170	112,987

Direct materials costs was the largest component of our cost of sales and accounted for approximately 92.7%, 89.5%, 89.7% and 90.8% of the total cost of sales for FY2019, FY2020, FY2021 and 6M2022, 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. The increase in direct material costs by approximately RMB12.0 million or 13.2% from approximately RMB90.6 million for 6M2021 to approximately RMB102.6 million for 6M2022 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 snacks, as our meat production line commenced operation in FY2021 and our sale of snacks was on an increasing trend during the Track Record Period. Our production costs decreased from approximately RMB6.5 million for 6M2021 to approximately RMB5.8 million for 6M2022. Such decease was mainly attributable to the decrease in production volume for 6M2022 as compared with 6M2021 and therefore the associated energy cost decreased.

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. Direct labour costs decreased from approximately RMB6.3 million for 6M2021 to approximately RMB4.9 million for 6M2022, which was mainly attributable to the decrease in production volume for 6M2022 as compared with 6M2021 and therefore the associated labour cost decreased.

During FY2019, FY2020 and 6M2022, there were reversals of provision for obsolete inventories of approximately RMB1.1 million, RMB0.6 million and RMB0.2 million, respectively. Such reversals were mainly due to the increase in the estimated net realisable value of certain inventories as a result of a change in consumer preferences (i.e. certain obsolete inventories were subsequently purchased from customers).

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/period, 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)
6M2022	5,131/(5,131)	10,262/(10,262)	15,392/(15,392)

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

For FY2019, FY2020, FY2021 and 6M2022, we recorded (i) gross profit of approximately RMB96.3 million, RMB90.6 million, RMB108.5 million and RMB54.0 million, respectively; and (ii) gross profit margin of approximately 32.4%, 32.0%, 31.7% and 32.3%, respectively.

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

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

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*
							(unaudited)			
Snacks	32,757	25.5	43,551	31.7	59,189	34.6	21,973	29.8	26,887	34.7
Dried delicacies	32,492	37.4	22,055	31.3	25,578	29.3	11,438	30.6	15,360	30.4
Dried aquatic products	17,390	37.2	16,499	31.2	16,259	27.6	5,776	25.4	8,386	28.6
Grains	11,509	40.0	7,114	39.7	6,416	30.0	2,837	27.0	2,772	33.9
Seasonings and others	2,103	31.5	1,369	33.0	1,038	32.8	401	31.5	564	36.9
	96,251	32.4	90,588	32.0	108,480	31.7	42,425	29.1	53,969	32.3

Snacks

Our gross profit generated from sales of 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 snacks was mainly due to increase in revenue attributable to sale of snacks as discussed above. The increase in gross profit margin of snacks was mainly attributable to the increase in sales of certain products with relatively higher gross profit margin, such as spicy kelp series with gross profit margin of approximately 30.4% for FY2020, spicy enoki mushroom series with gross profit margin of approximately 42.0% for FY2020 and pistachios with gross profit margin of approximately 35.0% for FY2020, coupled with the decrease in sales of fragrant lotus seeds with relatively lower gross profit margin of approximately 25.7% for FY2020.

Our gross profit generated from sales of snacks further increased by approximately RMB15.6 million or 35.8% in FY2021 while gross profit margin steadily increased to approximately 34.6%. The increase in gross profit and gross profit margin generated from snacks was mainly attributable to our newly launched meat snacks in FY2021 with relatively higher gross profit margin, such as marinated chicken wing tips series with gross profit margin of approximately 60.3% for FY2021 and roasted duck neck series with gross profit margin of approximately 55.9% for FY2021.

Our gross profit generated from sales of snacks increased by approximately RMB4.9 million or 22.3% from approximately RMB22.0 million for 6M2021 to approximately RMB26.9 million for 6M2022, while gross profit margin increased from approximately 29.8% for 6M2021 to approximately 34.7% for 6M2022. The increase in gross profit and gross profit margin generated from snacks was mainly attributable to (i) the increase in sales of roasted duck neck series of approximately RMB11.4 million, with a relatively higher gross profit margin of approximately 35.1%; and (ii) the increase in sales of spicy bamboo shoot crisps series of approximately RMB0.7 million, with a relatively higher gross profit margin of approximately 35.4%.

Dried delicacies

Our gross profit generated from sales of dried delicacies decreased by approximately RMB10.4 million or 32.0% from approximately RMB32.5 million in FY2019 to approximately RMB22.1 million in FY2020 which was mainly attributable to the decrease in sales volume of dried delicacies products as discussed above. The gross profit margin of dried delicacies decreased from approximately 37.4% in FY2019 to approximately 31.3% in FY2020 which was mainly attributable to (i) the decrease in gross profit margin of dried mushroom in FY2020, being one of our best selling dried delicacies products and contributed approximately RMB14.4 million to revenue of our dried delicacies products in FY2020, as the cost increased which outpaced the increase in the average selling price in FY2020; and (ii) the decrease in gross profit margin of black fungi in FY2020, also being one of our best selling dried delicacies products and contributed approximately RMB10.0 million to revenue of our dried delicacies products in FY2020, as the cost increased which outpaced the increase in the average selling price in FY2020. To the best knowledge of our Directors, the relevant costs of our products, where applicable, increased mainly due to the prolonged transportation of raw materials resulted from the COVID-19 during FY2020 and we were unable to fully pass on such increased costs to our customers given that the market is competitive and the customers, as well as the consumers, are generally price-sensitive and thereby reducing the gross profit margin.

Our gross profit generated from sales of dried delicacies increased by approximately RMB3.5 million or 15.8% in FY2021 while gross profit margin slightly decreased from approximately 31.3% in FY2020 to approximately 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 the increase in revenue generated from sales of black fungi, which contributed approximately RMB12.1 million to the revenue of dried delicacies for FY2021, with decreased gross profit margin of approximately 27.9% for FY2020 to approximately 24.5% for FY2021 as the cost increased which outpaced the increase in the average selling price in FY2021. Our Directors believe that such increase in cost of black fungi was largely attributable to the increase in its production cost resulted from the rise in lumber price during FY2021 and we were unable to fully pass on such increased costs to our customers given that the market is competitive and the customers, as well as the consumers, are generally price-sensitive and thereby reducing the gross profit margin.

Our gross profit generated from sales of dried delicacies increased by approximately RMB4.0 million or 35.1% from approximately RMB11.4 million for 6M2021 to approximately RMB15.4 million for 6M2022, while the gross profit margin remained relatively stable at approximately 30.6% and 30.4% for 6M2021 and 6M2022, respectively. Such increase in gross profit was mainly attributable to (i) the increase in gross profit of black fungi of approximately RMB1.0 million; and (ii) the increase in gross profit of dried mushroom of approximately RMB0.4 million.

Dried aquatic products

Our gross profit generated from sales of dried aquatic products remained relatively stable at approximately RMB17.4 million and RMB16.5 million for FY2019 and FY2020, respectively. However, the gross profit margin decreased from approximately 37.2% in FY2019 to approximately 31.2% in FY2020. Such decrease in gross profit margin was mainly due to the increase in sales of dried cuttlefish with a relatively lower gross profit margin of approximately 28.9% in FY2020 which contributed approximately RMB43.4 million to the revenue of dried aquatic products for FY2020.

Our gross profit generated from sales of dried aquatic products remained relatively stable at approximately RMB16.5 million and RMB16.3 million in FY2020 and FY2021, respectively. However, the 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 the sales of dried whitebait with a decreased gross profit margin for FY2021. To the best knowledge of our Directors, the cost of dried whitebait increased significantly owing to the tightened supplies of baby fish fry during FY2021.

Our gross profit generated from sales of dried aquatic products increased by approximately RMB2.6 million or 44.8% from approximately RMB5.8 million for 6M2021 to approximately RMB8.4 million for 6M2022, and the gross profit margin increased from approximately 25.4% for 6M2021 to approximately 28.6% for 6M2022. Such increase in gross profit and gross profit margin was mainly attributable to the effects of (i) the increase in gross profit of dried cuttlefish of approximately RMB1.8 million, with a relatively higher gross profit margin of approximately 26.7%; (ii) the increase in gross profit of kelp of approximately RMB0.1 million, with a relatively higher gross profit margin of approximately 44.3%; and (iii) the increase in gross profit of dried shrimp of approximately RMB65,000, with a relatively higher gross profit margin of approximately 42.1%.

Grains

Our gross profit generated from sales of grains decreased by approximately RMB4.4 million or 38.3% from approximately RMB11.5 million in FY2019 to approximately 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 relatively stable at approximately 40.0% and 39.7% in FY2019 and FY2020, respectively.

Our gross profit generated from sales of grains decreased by approximately RMB0.7 million or 9.9% in FY2021, and 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 the 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 gross profit margin of approximately 28.7%.

Our gross profit generated from sales of grains remained relatively stable at approximately RMB2.8 million and RMB2.8 million for 6M2021 and 6M2022, respectively, while the gross profit margin increased from approximately 27.0% for 6M2021 to approximately 33.9% for 6M2022. Such increase in gross profit margin was mainly due to the cost of certain products, including but not limited to green beans, decreased during 6M2022. To the best knowledge of our Directors, the purchase price of green beans surged during 6M2021 resulted from tightened supplies during the COVID-19 pandemic and subsequently reduced during 6M2022.

Seasonings and others

Our gross profit generated from sales of seasonings and others decreased by approximately RMB0.7 million or 33.3% from approximately RMB2.1 million in FY2019 to approximately RMB1.4 million in FY2020. Such decrease was mainly attributable to the decrease in sales of seasonings and others as discussed above. The gross profit margin of seasonings and others slightly increased from approximately 31.5% in FY2019 to approximately 33.0% in FY2020. Such increase was mainly attributable to the increase in sales of certain sugar products with a relatively higher gross profit margin as the cost decreased during FY2020.

Our gross profit generated from sales of seasoning and others further decreased by approximately RMB0.4 million or 28.6% from approximately RMB1.4 million for FY2020 to approximately RMB1.0 million for FY2021. Such decrease was mainly attributable to the decrease in sales of seasonings and others as discussed above. The gross profit margin of seasonings and others remained relatively stable at approximately 33.0% and 32.8% in FY2020 and FY2021, respectively.

Our gross profit generated from sales of seasoning and others increased by approximately RMB0.2 million or 50.0% from approximately RMB0.4 million for 6M2021 to approximately RMB0.6 million for 6M2022. Such increase was mainly attributable to the increase in sales of rock sugar of approximately RMB0.2 million. Besides, the gross profit margin increased from approximately 31.5% for 6M2021 to approximately 36.9% for 6M2022. Such increase was mainly attributable to the increase in sales of rock sugar with a relatively higher gross profit margin of approximately 37.7%, as the cost decreased during 6M2022 which resulted from reduced transportation cost as we changed to source from suppliers that are geographically closer to us.

(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		6M2021		6M2022	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000 (unaudited)*	*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	28,778	32.6	44,752	33.7
Gangweifang (贛味坊). .	4,393	24.9	6,507	31.5	6,213	21.2	2,630	17.0	3,267	26.7
	70,697	31.6	73,964	32.3	84,122	33.6	31,408	30.3	48,019	33.2
Trading products	25,554	34.5	16,624	30.8	24,358	26.6	11,017	26.4	5,950	26.9
	96,251	32.4	90,588	32.0	108,480	31.7	42,425	29.1	53,969	32.3

Own-branded products

Shengyao (聲耀)

Our gross profit for "Shengyao (聲耀)" products slightly 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% and 32.4% for FY2019 and FY2020, respectively.

Our gross profit for "Shengyao (聲耀)" products increased significantly from approximately RMB67.5 million for FY2020 to approximately RMB77.9 million for FY2021, and 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 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 marinated chicken wing tips series and roasted duck necks series, which generated, in aggregate, gross profit of approximately RMB17.6 million with gross profit margin of approximately 60.3% and 55.9% for FY2021, respectively.

Our gross profit for "Shengyao (聲耀)" products increased significantly from approximately RMB28.8 million for 6M2021 to approximately RMB44.8 million for 6M2022, and the gross profit margin increased from approximately 32.6% for 6M2021 to approximately 33.7% for 6M2022. Such increase in both gross profit and gross profit margin was mainly attributable to (i) the increase in gross profit of roasted duck neck series of approximately RMB2.8 million with a relatively higher gross profit margin of approximately 35.1%; (ii) the increase in gross profit of dried cuttlefish of approximately RMB2.1 million with gross profit margin of approximately 26.7%; (iii) the increase in gross profit of spicy enoki mushroom series of approximately RMB1.4 million with a relatively higher gross profit margin of approximately 62.4%; and (iv) the increase in gross profit of black fungi of approximately RMB1.2 million with gross profit margin of approximately 23.4%.

Gangweifang (贛味坊)

Among our products under the "Gangweifang (贛味坊)" brand, pistachios accounted for the largest proportion of over 30% in terms of revenue throughout the Track Record Period.

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 the gross profit margin increased from approximately 24.9% for FY2019 to approximately 31.5% for FY2020. Such increase was mainly attributable to the increase in sales of pistachios with a relatively stable average selling price of approximately RMB84.7 per kg and RMB85.7 per kg for FY2019 and FY2020, respectively, and coupled with a decreased cost from approximately RMB60.8 per kg for FY2019 to approximately RMB57.4 per kg for FY2020.

Our gross profit for "Gangweifang (贛味坊)" products remained relatively stable at approximately RMB6.5 million and RMB6.2 million for FY2020 and FY2021, respectively, while our gross profit margin for "Gangweifang (贛味坊)" products decreased from approximately 31.5% for FY2020 to approximately 21.2% for FY2021. Such decrease in gross profit margin was mainly attributable to the decrease in average selling price of pistachios from approximately RMB85.7 per kg for FY2020 to approximately RMB72.7 per kg for FY2021. To stay competitive with our competitors, we lowered the selling price of pistachios to our customers, while the cost of which remained relatively stable for FY2020 and FY2021.

Our gross profit for "Gangweifang (贛味坊)" products increased from approximately RMB2.6 million for 6M2021 to approximately RMB3.3 million for 6M2022, while the gross profit margin increased from approximately 17.0% for 6M2021 to approximately 26.7% for 6M2022. Such increase in both gross profit and gross profit margin was primarily attributable to the increase in sales of pistachios with an increased average selling price from approximately RMB67.9 per kg for 6M2021 to approximately RMB96.8 per kg for 6M2022 which was mainly due to the increase in its sales to concessionary counters, in which the average selling price is generally higher, while the cost of which remained relatively stable for 6M2021 and 6M2022.

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 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%.

Our gross profit for trading products decreased from approximately RMB11.0 million for 6M2021 to approximately RMB6.0 million for 6M2022, while the gross profit margin remained relatively stable at approximately 26.4% and 26.9% for 6M2021 and 6M2022, respectively. Such decrease in gross profit was mainly attributable to the decrease in sales of trading products as discussed above.

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

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

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*
							(unaudited)			
Vegetables	3,125	28.6	19,684	35.9	16,020	31.5	6,129	32.5	8,606	40.1
Meat	—	N/A	—	N/A	29,078	47.9	8,573	43.2	13,254	34.4
Nuts, seeds and candied fruits	25,761	24.3	18,262	28.2	6,457	21.2	2,741	17.0	4,049	28.8
	28,886	24.7	37,946	31.8	51,555	36.3	17,443	31.8	25,909	35.0

The gross profit of our own-branded snack products was on an increasing trend 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, and 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 gross profit of our own-branded snack products increased from approximately RMB17.4 million for 6M2021 to approximately RMB25.9 million for 6M2022. Such increase was mainly attributable to the increase in sales of our own-branded snacks products as mentioned above.

Vegetables

The increase in gross profit and gross profit margin of our own-branded vegetable snack products for FY2020 was mainly attributable to (i) the newly launched spicy enoki mushroom series in FY2020 with relatively higher gross profit margin of approximately 42.0%; (ii) the increase in gross profit of spicy bamboo shoots series of approximately RMB3.3 million with a relatively higher gross profit margin of approximately 35.1%; and (iii) the increase in gross profit of spicy kelp series of approximately RMB4.7 million with a relatively higher gross profit margin of approximately 30.4%.

The decrease in gross profit of our vegetable snack products for FY2021 was mainly attributable to the decrease in sales as discussed above. The gross profit margin of our vegetable snack products decreased from approximately 35.9% for FY2020 to approximately 31.5% for FY2021. Such decrease was mainly attributable to the decrease in gross profit margin of spicy bamboo shoots crisps series and spicy kelp series as the cost of raw materials increased. To the best knowledge of our Directors, the supply of kelp decreased due to abnormal reproduction of algae in sea in Rongcheng City, Shandong Province, which is a major production base of kelp in China, during FY2021 while the average selling price of the relevant snack products remained relatively stable.

The increase in gross profit of our vegetable snack products for 6M2022 was mainly attributable to the increase in sales as discussed above. And the gross profit margin of our own-branded vegetable snack products increased from approximately 32.5% for 6M2021 to approximately 40.1% for 6M2022, which was mainly due to (i) the gross profit margin of spicy enoki mushroom series increased to approximately 62.4% as the cost of which decreased due to the replacement of another type of enoki mushrooms at cheaper cost while the average selling price remained relatively stable; and (ii) the gross profit margin of spicy bamboo shoots crisps series increased to approximately 35.4% as the average selling price of which increased because (a) the gross profit margin of spicy bamboo shoots crisps series generated from sales to supermarkets, the sales of which accounted for over 95% of the sales of spicy bamboo shoots crisps series during 6M2022, increased as a result of the slight increase in average selling price from approximately RMB35.5 per kg for 6M2021 to approximately RMB36.1 per kg for 6M2022, coupled with the slight decrease in cost from approximately RMB24.6 per kg for 6M2021 to approximately RMB23.0 per kg for 6M2022; and (b) there were no sales of spicy bamboo shoots crisps series through e-commerce in 6M2022 given that the average selling price of spicy bamboo shoots crisps series through e-commerce sales was relatively low in 6M2021.

Meat

The gross profit of our meat snack products amounted to approximately RMB29.1 million, and the gross profit margin of which amounted to approximately 47.9% for FY2021.

The increase in gross profit of our meat snack products for 6M2022 was mainly attributable to the increase in sales as discussed above. The gross profit margin of our meat snack products decreased from approximately 43.2% for 6M2021 to approximately 34.4% for 6M2022, which was mainly due to (i) the gross profit margin of roasted duck neck series decreased to approximately 35.1% as the average selling price of which decreased as there was an increase in sales to Ningbo Haishu, a new customer since 2021 and one of our five largest customers for 6M2022, with a relatively lower average selling price for its bulk purchases during 6M2022 and to establish stable relationship while the cost remained relatively stable; and (ii) the gross profit margin of chicken feet decreased to approximately 25.2% as the increase in cost outpaced the increase in average selling price in 6M2022. To the best knowledge of our Directors, in general, it takes time to negotiate with our supermarket customers for adjusting the selling price of our products and therefore the increase in cost may outpaced the increase in selling price, if any, in a particular period of time.

Nuts, seeds and candied fruits

The decrease in gross profit of our own-branded nuts, seeds and candied fruits snack products for FY2020 was mainly attributable to the decrease in sales of fragrant lotus seeds of approximately RMB47.1 million as discussed above. However, the gross profit margin of our own-branded nuts, seeds and candied fruits snack products increased from approximately 24.3% for FY2019 to approximately 28.2% for FY2020 which was mainly attributable to the increase in sales of pistachios with a relatively higher gross profit margin of approximately 35.0%.

The decrease in gross profit of our own-branded nuts, seeds and candied fruits snack products for FY2021 was mainly attributable to the decrease in sales as discussed above. The gross profit margin of our own-branded nuts, seeds and candied fruits snack products decreased from approximately 28.2% for FY2020 to approximately 21.2% during FY2021. Such decrease was mainly attributable to (i) the cessation of the production line of fragrant lotus seeds; and (ii) the decrease in gross profit margin of pistachios as the average selling price of which decreased to reflect the market conditions and customer preferences at the relevant time in order to maintain its competitiveness while the cost remained relatively stable.

The increase in gross profit of our own-branded nuts, seeds and candied fruits snack products for 6M2022 was mainly attributable to the increase in sales as discussed above. The gross profit margin of our own-branded nuts, seeds and candied fruits snack products increased from approximately 17.0% for 6M2021 to approximately 28.8% for 6M2022, mainly attributable to the gross profit margin of pistachios increased to approximately 40.0% as the average selling price of which increased as we increased sales of pistachios at concessionary counters in which the average selling price is generally higher, coupled with the decrease in the relevant cost.

(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		6M2021		6M2022	
	RMB'000	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*	*RMB'000 (unaudited)*	*Gross profit margin %*	*RMB'000*	*Gross profit margin %*
Retailers										
Supermarkets	62,569	30.1	56,819	29.0	72,990	31.6	26,858	29.0	31,206	32.2
Grocery stores	804	50.6	913	47.2	1,393	21.1	241	9.5	1,210	29.3
Subtotal	63,373	30.2	57,732	29.2	74,383	31.3	27,099	28.5	32,416	32.1
Corporate customers	19,390	33.9	14,763	34.9	14,662	28.6	5,574	24.9	9,663	27.6
Concessionary counters	13,190	45.2	16,697	43.1	18,599	36.8	9,076	35.1	11,861	38.4
E-commerce	147	17.5	1,394	35.3	811	29.7	650	29.7	29	77.9
Others *(Note)*	151	32.9	2	9.1	25	26.3	26	27.4	—	N/A
Total	96,251	32.4	90,588	32.0	108,480	31.7	42,425	29.1	53,969	32.3

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

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 meat snacks, which generally have a higher gross profit margin as discussed above.

The gross profit for direct sales made to supermarkets increased from approximately RMB26.9 million for 6M2021 to approximately RMB31.2 million for 6M2022, while the gross profit margin increased from approximately 29.0% for 6M2021 to approximately 32.2% for 6M2022. The increase in both gross profit and gross profit margin was mainly attributable to (i) the increase in gross profit of spicy enoki mushroom of approximately RMB1.3 million with a relatively higher gross profit margin of approximately 62.9%; (ii) the increase in gross profit of lotus seeds of approximately RMB1.6 million with gross profit margin of approximately 29.6%; and (iii) the increase in gross profit of dried cuttlefish of approximately RMB0.8 million with gross profit margin of approximately 24.4%.

Grocery stores

Gross profit for sales to grocery stores amounted to approximately RMB0.8 million, RMB0.9 million, RMB1.4 million, RMB0.2 million and RMB1.2 million, accounting for approximately 0.8%, 1.0%, 1.3%, 0.6% and 2.2% of the total gross profit for FY2019, FY2020, FY2021, 6M2021 and 6M2022, respectively. The gross profit margin for sale to grocery stores was approximately 50.6%, 47.2%, 21.1%, 9.5% and 29.3% for FY2019, FY2020, FY2021, 6M2021 and 6M2022, respectively. During the Track Record Period, sales to grocery stores accounted for an insignificant portion of our revenue, accounting for 0.5%, 0.7%, 1.9%, 1.7% and 2.5% of our revenue for FY2019, FY2020, FY2021, 6M2021 and 6M2022, respectively.

In FY2019 and FY2020, our sales to grocery stores were substantially made up of dried food products, and the gross profit margin for sale to grocery stores maintained at relatively higher levels with a slight decrease from 50.6% in FY2019 to 47.2% in FY2020, which was primarily due to the increase in costs of green beans. In FY2021, our sale to grocery stores increased by approximately RMB4.7 million, or approximately 241.3%, which were mainly made up of sale of snacks. To develop the snack food market, we sold meat snacks, which was a new product series launched in the first half of 2021, to grocery store customers at relatively low prices to penetrate our brands and snack food products to different group of end customers, resulting in the decrease of gross profit margin of sales to grocery stores to approximately 9.5% in 6M2021. In the second half of 2021, as our meat snacks gained wider acceptance, we began to raise prices of our meat snacks to our grocery store customers, resulting in an improvement of gross profit margin of sales to grocery stores to approximately 21.1% in FY2021 and 29.3% in 6M2022.

From the business perspective of our Company, even though grocery stores customers are generally operating in a smaller scale than our supermarkets or corporate customers, they are more widely spread within the mainland China, and are considered to be able to access to a different group of end customers. Such sale to grocery store customers is beneficial to us as we could penetrate our brands and products across different provinces in the PRC, and expand our product presence and brand awareness to areas outside Jiangxi Province through sales to a different group of end customers via these grocery store customers. As these smaller scale grocery stores customers are perceivably more sensitive to our product pricing, and given our strategy of expanding our customer reach through sale to these grocery stores customers, so long as the sale to these grocery store customers is generally profitable, and given the insignificant contribution to our revenue, our Company believes that the degree of profitability, and i.e. gross profit margin of sales to these grocery store customers, is not of prime concern to our Company. Therefore, when we negotiated sales to the grocery store customers on an arm's length basis, we did not solely focus on the gross profit margin of such sales, but instead bearing in mind the aforementioned factors from longer term business perspectives of our Company.

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 for FY2019 to approximately RMB0.5 million for FY2020, 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 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 snack market by leveraging the network of our corporate customers to raise awareness of our meat snacks.

Our gross profit for corporate customers increased from approximately RMB5.6 million for 6M2021 to approximately RMB9.7 million for 6M2022, and gross profit margin increased from approximately 24.9% for 6M2021 to approximately 27.6% for 6M2022, which was mainly due to (i) the increase in gross profit of roasted duck neck series of approximately RMB1.9 million with gross profit margin of approximately 22.5%; (ii) the increase in gross profit of dried cuttlefish of approximately RMB0.5 million, with a relatively higher gross profit margin of approximately 28.3%; and (iii) the increase in gross profit of marinated chick wing tips series of approximately RMB0.1 million with a relatively higher gross profit margin of approximately 32.8%.

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% and 43.1% for FY2019 and FY2020, respectively. Such increase in gross profit was mainly attributable to the increase in gross profit attributable to 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 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 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.

Our gross profit for sales over concessionary counters increased from approximately RMB9.1 million for 6M2021 to approximately RMB11.9 million for 6M2022, and the gross profit margin increased slightly from approximately 35.1% for 6M2021 to approximately 38.4% for 6M2022. The increase in gross profit and gross profit margin was primarily due to (i) the increase in gross profit of pistachios of approximately RMB1.3 million with a relatively higher gross profit margin of approximately 48.5%; and (ii) the increase in gross profit of roasted duck neck series of approximately RMB0.5 million with a relatively higher gross profit margin of approximately 64.2%.

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 — Sales Network — 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 counter 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.

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, and 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.

Our gross profit for E-commerce decreased from approximately RMB0.7 million for 6M2021 to approximately RMB29,000 for 6M2022, while the gross profit margin increased from approximately 29.7% for 6M2021 to approximately 77.9% for 6M2022, which was mainly due to the effects of (i) the decrease in gross profit generated from dried mango of approximately RMB0.3 million; and (ii) there were sales concentrated with the relatively higher gross profit margin products, such as meat snacks, in 6M2022.

Other revenue

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

	FY2019	FY2020	FY2021	6M2021	6M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Government grants	4,122	4,620	3,690	3,256	100
Interest income from bank deposits	125	273	307	161	188
Rental income	110	220	184	110	—
Imputed interest on government grant receivable	78	40	—	—	—
Others	65	—	—	—	—
	4,500	5,153	4,181	3,527	288

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) a three-year subsidy of approximately RMB875,000 per year as an incentive of agricultural development for our 10-year lease of a farmland over 3,000 mu, i.e. over 2,000,000 sq.m.; (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, which was mainly attributable to the decrease in government grants received by approximately RMB0.9 million.

Other revenue decreased from approximately RMB3.5 million for 6M2021 to approximately RMB0.3 million for 6M2022, primarily due to the decrease in government grants received by approximately RMB3.2 million, in particular (i) government grants of approximately RMB2.0 million in relation to the incentive of agricultural development as mentioned above was recognised in 6M2021, which was originally recognised on a yearly basis across the 10-year lease term from 2019 to 2028, due to early termination of the aforesaid lease as the PRC government reclaimed such farmland. As confirmed by the PRC local government authority, the aforesaid incentive received was non-recourse in nature and no refund will be required even though the sublease arrangements have been terminated as such termination was initiated by the PRC local government authority to reclaim the relevant farmland; and (ii) the government grants of approximately RMB0.9 million in relation to the optimisation of traditional industry recognised in 6M2021 which was one-off in nature.

Other gain and losses

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

	FY2019	FY2020	FY2021	6M2021	6M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Reversal for the provision of social insurance and housing provident fund	2,937	3,537	1,179	607	318
Gain on changes in fair value of investment property	70	160	1,100	1,010	—
Gain from early termination of subleases	—	—	1,782	—	—
Exchange loss, net	—	(29)	—	—	—
Losses on disposals of property, plant and equipment	(74)	(13)	(264)	(263)	(52)
Loss from net investment in subleases	(1,920)	—	—	—	—
	1,013	3,655	3,797	1,354	266

As advised by our PRC Legal Advisers, according to the Regulation on Labour Security Supervision (《勞動保障監察條例》), which was promulgated on 1 November 2004 and became effective on 1 December 2004, where an act of violation against labour security laws, regulations or rules is neither found by the labour security administration nor reported or complained by others within two years, the labour security administration shall no longer investigate it. The reversal for the provision of social insurance and housing provident fund during the Track Record Period represents the non-reported or non-complained staff social insurance and housing provident fund aged over the two years retrospective liability period which the possibility being penalised for the unpaid contribution no longer exist.

From FY2019 to FY2021, we leased a farmland from the government at an annual rental of RMB450 per mu and sublease such land to the farmers at an annual rental of RMB350 per mu for a term of ten years from 2019 to 2028, resulting in a loss from net investment in subleases according to HKFRS 16 in FY2019. We leased the farmland from the government as we were required to lease over 3,000 mu land in agricultural use for ten years for our government grants received as an incentive of agricultural development, details of which is set out in the paragraph headed "Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other revenue" in this section. Pursuant to the sublease agreement, we would have priority, but not an obligation, to purchase agricultural products including lotus seeds produced by the sub-leasees. Our Directors consider such arrangement was commercially beneficial to the Group to secure priority in stable supply of raw materials. In FY2021, the farmland was reclaimed by the PRC government. As a result, the relevant lease or sublease agreements were terminated by mutual consent, and we had no further liability under the aforesaid agreements. Accordingly, a gain from early termination of the subleases was recognised in FY2021.

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 social insurance and housing provident fund 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; and (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 social insurance and housing provident fund of approximately RMB2.4 million.

Other gains and losses decreased from approximately RMB1.4 million for 6M2021 to approximately RMB0.3 million for 6M2022. Such decrease was primarily due to there was no investment property since 2022 and therefore no gain on changes in fair value of investment property recognised for 6M2022.

Distribution and selling expenses

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

	FY2019	FY2020	FY2021	6M2021	6M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Staff costs	13,424	11,401	15,820	7,247	7,094
Delivery and inspection	3,869	3,184	4,849	2,287	2,119
Marketing and promotion	3,175	3,221	4,758	2,777	2,797
Office expenses and others	1,409	2,508	2,797	1,682	1,271
	21,877	20,314	28,224	13,993	13,281

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.

Our distribution and selling expenses remained relatively stable at approximately RMB14.0 million and RMB13.3 million for 6M2021 and 6M2022, respectively.

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/periods indicated:

	FY2019	FY2020	FY2021	6M2021	6M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Staff costs	3,210	3,600	4,787	1,997	2,404
Other taxes	1,468	1,614	1,778	452	1,208
Entertainment and transportation expenses	1,232	1,238	1,375	696	958
Depreciation and amortisation	1,487	1,290	1,273	597	617
Research and development	9,491	10,225	10,386	4,353	6,142
Utility expenses	252	147	190	100	70
Legal and professional expenses	1,936	544	465	291	313
Maintenance expenses	370	992	1,508	1,037	90
Office expenses and others	969	854	1,368	824	1,296
	20,415	20,504	23,130	10,347	13,098

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 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 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 40 in FY2020 to 49 in FY2021; and (ii) the increase in maintenance expenses of approximately RMB0.5 million in respect of machineries in Guangchang Plant.

Our administrative expenses increased from approximately RMB10.3 million for 6M2021 to approximately RMB13.1 million for 6M2022, which was mainly due to the increase in research and development cost of approximately RMB1.8 million.

Finance costs

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

	FY2019	**FY2020**	**FY2021**	**6M2021**	**6M2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Interest expenses on bank and other borrowings. . . .	7,255	7,519	5,966	3,162	1,813
Guarantee fee.	110	68	22	—	—
Interest expenses on lease liabilities	165	173	162	80	1
	7,530	7,760	6,150	3,242	1,814

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, RMB6.2 million and RMB1.8 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. The decrease in finance costs for 6M2022 as compared to 6M2021 was mainly due to the decrease in interest expenses on bank and other borrowings as a result of the decrease in average amount of bank and other borrowings for 6M2022.

Taxation

Our Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of our Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, our **[REDACTED]** entity incorporated in the Cayman Islands and our subsidiary incorporated in BVI are not subject to any income tax.

Hong Kong profits tax for our subsidiary incorporated in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits.

Pursuant to the EIT Law and related regulations, enterprises operate in China are generally subject to EIT at a rate of 25% on the taxable profit. Enterprises recognised as a "high and new technology enterprise" (the "**HNTE**") are entitled to a preferential tax rate of 15% for three years as long as the HNTE status is valid, and qualifying enterprises may re-apply such preferential tax rate for an additional three years provided that their business operations continue to qualify for the HNTE status. Jiangxi Zhengwei was recognised as HNTE in 2017 and successfully renewed its HNTE status for three years in 2020. Jiangxi Zhengwei will commence the renewal of its HNTE status close to the expiry date, and on the basis that there is no amendment to the requirement for the recognition of HTNE status, we do not foresee any impediment for such renewal. Guangchang Zhenglian was recognised as HNTE in 2019 and successfully renewed its HNTE status for three years in 2022. As a result, Jiangxi Zhengwei and Guangchang Zhenglian were subject to a preferential tax rate of 15% during the Track Record Period.

Furthermore, according to Clause 30(1) of the EIT Law which issued in 2018 and related regulations, research and development cost is deductible for PRC corporate income tax. A manufacturing company is entitled to an additional 75% corporate income tax deduction applicable on the research and development expenses for 2019 and 2020 and an additional 100% corporate income tax deduction applicable on the research and development expenses since 2021.

The income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the consolidated statements of profit or loss and the comprehensive income as follows:

	FY2019	FY2020	FY2021	6M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit before income tax expense	48,262	47,313	57,844	22,722
Tax calculated at the PRC statutory tax rate of 25%	12,066	11,837	14,461	5,680
Tax effect of revenue not taxable for tax purposes	(2,620)	(1,364)	(2,380)	(2,381)
Tax effect of expenses not deductible for purposes	119	95	117	116
Effect of tax exemptions granted to PRC subsidiaries	(511)	(2,410)	(1,189)	(54)
Tax incentives for research and development expenses available for subsidiaries incorporated in the PRC	(1,728)	(1,875)	(1,902)	(1,517)
Tax losses/temporary difference not recognised	(9)	91	445	9
Income tax expenses	7,317	6,374	9,552	1,853
Effective tax rate	15.2%	13.5%	16.5%	8.2%

Our taxation comprised of (i) profit tax expenses of EIT; and (ii) deferred tax expenses. Our taxation decreased by approximately RMB0.9 million or 12.3% 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% 16.5% and 8.2% during the Track Record Period, respectively. Our effective income tax rates were mainly affected by, in addition to applicable EIT rates, among other things, tax-free profits of the companies under our Group which engaged in preliminary processing of agricultural products such as mushrooms, black fungi and dried cuttlefish; and additional corporate income tax deduction applicable on the research and development expenses for Jiangxi Zhengwei and Guangchang Zhenglian (i.e. 75% for 2019 and 2020 and 100% since 2021). The fluctuation of our effective tax rate during the Track Record Period was mainly attributable to the fluctuation of our revenue in relation to our production of agricultural products of approximately RMB122.7 million, RMB97.7 million, RMB120.5 million and RMB64.7 million for FY2019, FY2020, FY2021 and 6M2022 respectively, which was exempted from corporate income tax. According to the EIT Law and its related implementation rules and the Circular of the Ministry of Finance and the State Tax Administration on Scope of Agricultural Products' Preliminary Processing Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149) (財政部國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知(財稅[2008]149號)). Our income generated from preliminary processing of agricultural products such as mushroom, black fungi and dried cuttlefish (the "**EIT-exempted Products**") Jiangxi Zhengwei, Nanchang Kaixing and Guangchang Zhenglian are exempted from EIT. In particular, the relatively lower effective tax rate of approximately 8.2% during 6M2022 was resulted from an increase of non-taxable income for EIT purpose which mainly attributable to increased gross profit margin of the EIT-exempted Products from approximately 25.8% for FY2021 to approximately 33.5% for 6M2022.

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	6M2021	6M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating profit before working capital change	56,566	52,928	63,560	21,821	26,140
Change in working capital	(37,604)	39,201	(28,583)	(51,666)	28,417
Net cash generated from/(used in) operations	18,962	92,129	34,977	(29,845)	54,557
Income tax paid	(8,374)	(5,570)	(7,905)	(2,314)	(5,832)
Net cash generated from/(used in) operating activities	10,588	86,559	27,072	(32,159)	48,725
Net cash used in investing activities	(2,629)	(3,105)	(7,187)	(5,042)	(2,059)
Net cash generated from/(used in) financing activities	32,507	17,748	(34,902)	(28,706)	(35,792)
Net increase/(decrease) in cash and cash equivalents	40,466	101,202	(15,017)	(65,907)	10,874
Cash and cash equivalents at the beginning of the year/period	670	41,136	142,338	142,338	127,321
Cash and cash equivalents at the end of the year /period	41,136	142,338	127,321	76,431	138,195

Cash flows from operating activities

Net cash generated from operating activities for FY2019 was approximately RMB10.6 million. Operating profit before working capital change 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 which was mainly due to the significant increase in direct sales to

Customer Group A at the relevant time, 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 consolidated statements of financial position are set out in the paragraph headed "Selected Items of Consolidated Statements of Financial Position" in this section.

Net cash generated from operating activities for FY2020 was approximately RMB86.6 million. Operating profit before working capital change 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 consolidated statements of financial position are set out in the paragraph headed "Selected Items of Consolidated Statements of Financial Position" in this section.

Net cash generated from operating activities for FY2021 was approximately RMB27.1 million. Operating profit before working capital change 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 consolidated statements of financial position are set out in the paragraph headed "Selected Items of Consolidated Statements of Financial Position" in this section.

Net cash generated from operating activities for 6M2022 was approximately RMB48.7 million. Operating profit before working capital change were approximately RMB26.1 million, primarily reflecting profit before income taxation of approximately RMB22.7 million, as positively adjusted by finance costs of approximately RMB1.8 million and depreciation of property, plant and equipment of approximately RMB1.8 million. Change in working capital contributed to a net cash inflow in the amount of approximately RMB28.4 million, consisting primarily of (i) a decrease in inventories of approximately RMB9.4 million; and (ii) a decrease in trade receivables of approximately RMB0.8 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed "Selected Items of Consolidated 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.

We recorded net cash used in investing activities of approximately RMB2.1 million for 6M2022, primarily as a result of the purchase of plant, plant and equipment of approximately RMB2.2 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.

We recorded net cash used in financing activities of approximately RMB35.8 million for 6M2022, primarily as a result of (i) the repayment of bank borrowings of approximately RMB33.9 million; and (ii) the interest paid of approximately RMB2.7 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 **[REDACTED]** 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 June	As at 31 October
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current assets					
Inventories	62,445	98,248	106,459	97,188	76,916
Trade receivables	74,344	52,395	63,163	62,342	68,011
Prepayments, deposits and other receivables	37,754	15,631	15,300	19,711	10,768
Right of return assets	976	767	818	918	918
Amount due from a related party	58	58	—	34	—
Amount due from shareholders	—	343	343	343	343
Cash and cash equivalents	41,136	142,338	127,321	138,195	135,976
	216,713	309,780	313,404	318,731	292,932
Current liabilities					
Trade payables	24,774	52,390	42,511	61,448	21,449
Other payables and accruals	17,459	14,046	14,380	15,947	10,505
Contract liabilities	450	290	593	1,709	954
Borrowings	80,972	98,586	87,033	55,019	44,457
Amount due to a shareholder	—	9	9	—	—
Lease liabilities	249	238	84	42	14
Income tax payable	4,306	4,171	5,490	1,497	3,711
	128,210	169,730	150,100	135,662	81,090
Net current assets	88,503	140,050	163,304	183,069	211,842

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 RMB23.2 million from approximately RMB140.1 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 current borrowings of approximately RMB11.6 million.

Our net current assets increased to approximately RMB183.1 million as at 30 June 2022, which was mainly attributable to (i) the decrease in current borrowings of approximately RMB32.0 million; (ii) the increase in cash and cash equivalents of approximately RMB10.9 million; and (iii) the increase in prepayments, deposits and other receivables of approximately RMB4.4 million, and partially offset by (i) the decrease in inventories of approximately RMB9.3 million; (ii) the increase in trade payables of approximately RMB18.9 million; and (iii) the decrease in trade receivables of approximately RMB0.8 million.

Our net current assets increased from approximately RMB183.1 million as at 30 June 2022 to approximately RMB211.8 million as at 31 October 2022. The increase was primarily due to (i) the increase in trade receivables of approximately RMB5.7 million; (ii) the decrease in trade payables of approximately RMB40.0 million; (iii) the decrease in other payables and accruals of approximately RMB5.4 million; and (iv) the decrease in current borrowings of approximately RMB10.6 million.

SELECTED ITEMS OF CONSOLIDATED 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			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	46,739	62,495	59,598	53,499
Finished goods	16,333	35,753	47,032	43,689
	63,072	98,248	106,630	97,188
Less: Provision for obsolete inventories loss	(627)	—	(171)	—
	62,445	98,248	106,459	97,188

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 and 30 June 2022, the balance of our inventories represented approximately 28.8%, 31.7%, 34.0% and 30.5% 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. For FY2019, FY2020, FY2021 and 6M2022, we made provision to the value of our inventories of approximately RMB0.6 million, nil, RMB0.2 million and nil, 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 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 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/period indicated:

	FY2019	**FY2020**	**FY2021**	**6M2022**
Average inventory turnover day(s) *(Note)*	120.3	152.5	160.0	163.1

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. The number of days is 365 days for the year ended 31 December or 181 days for the six months ended 30 June.

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. In particular, among the inventory balances as at 31 December 2019, 2020 and 2021, the finished goods accounted for approximately RMB16.3 million, RMB35.8 million and RMB47.0 million, representing approximately 26.2%, 36.4% and 44.2% of the inventory balance, respectively. Such increase in inventory balance, in particular the finished goods, was due to our stocking of finished goods in preparation for our future sales in light of the historical growth of our sales. Our average inventory turnover days remained relatively stable at approximately 163.1 days for 6M2022.

The substantial increase in our inventory turnover days during the Track Record Period reflects our business model, in particular the stocking of raw materials and finished goods in advance to prepare for our future production and sales. In particular, we substantially increased the stock of finished goods for upcoming festival (i.e. the Chinese New Year, the Mid-Autumn Festival and the Golden Week) as at the relevant year/period end(s) in order to keep pace with our expansion plan in light of the increase in demand for our products and in response to COVID-19's impact on supply chain stability. As our inventory consisted of raw materials and finished goods, our average inventory turnover days during the Track Record Period reflected not only the time we took to sell our finished goods, but also the time we stocked up the raw materials in preparation for our production.

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.

Despite our food products generally have a shelf life (which represents the suggested consumption period of our products before their expiry) for 8 to 18 months from the date of production, our retailer customers generally place product orders to replenish their shelves on a more frequent basis to avoid stocking up of our products at their stores. Although there is no policy in the minimum shelf life of the products delivered to our retailer customers, we generally ensure our products delivered to key retailer customers such as supermarkets have a shelf life of at least three months before their expiry such that end consumers will have a reasonable time to consume our products after their purchase. Our Directors consider that the above arrangement is in line with the shelf life of similar products in the market.

The following table sets out our inventory ageing analysis as at the dates indicated:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	46,102	61,270	81,080	77,969
91-180 days	3,650	18,070	18,449	2,220
181-365 days	11,830	18,758	6,780	15,156
Over 365 days	863	150	150	1,843
	62,445	98,248	106,459	97,188

The inventories aged more than 180 days as at 30 June 2022 comprised around 70% of raw materials, out of which the majority possessed a shelf life of 12 to 24 months. No provision was made in respect of such inventories because they were still within their respective shelf life. There were no expired products disposed during the Track Record Period.

As at the Latest Practicable Date, among the inventories of our Group as at 30 June 2022, (i) approximately RMB54.9 million or 70.4% of our inventories aged within 90 days were subsequently utilised/sold; (ii) approximately RMB1.9 million or 85.3% of our inventories aged between 91−180 days were subsequently utilised/sold; (iii) approximately RMB11.4 million or 75.0% of our inventories aged between 181−365 days were subsequently utilised/sold; (iv) approximately RMB1.6 million or 87.9% of our inventories aged over 365 days subsequently utilised/sold. In other words, in aggregate, approximately RMB69.8 million or 71.8% of our inventories as at 30 June 2022 were subsequently utilised/sold. We do not believe there is any material recoverability issue for our inventories and that adequate consideration regarding provisions had been made during the Track Record Period.

Trade receivables

The following table sets forth a breakdown of our trade receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	76,143	53,640	63,507	62,684
Less: Impairment provision	(1,799)	(1,245)	(344)	(342)
	74,344	52,395	63,163	62,342

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, 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. Our trade receivables remained relatively stable at approximately RMB62.3 million as at 30 June 2022.

The following table sets out our average trade receivables turnover days for the years/period indicated:

	FY2019	FY2020	FY2021	6M2022
Average trade receivables turnover day(s) *(Note)*	63.0	81.8	61.7	68.0

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. The number of days is 365 days for the year ended 31 December or 181 days for the six months ended 30 June.

Our average trade receivables turnover days increased from approximately 63.0 days 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 remained relatively stable at approximately 68.0 days for 6M2022. 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			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	53,185	41,315	37,657	46,356
1 to 2 months	17,860	11,985	25,510	15,988
2 to 3 months	4,453	—	—	—
3 months to 1 year	—	—	—	—
Over 1 year	645	340	340	340
	76,143	53,640	63,507	62,684

Our Group generally allows an average credit period of 30 to 90 days to our customers. Approximately 99.2%, 99.4%, 99.5% and 99.5% of our trade receivables as at 31 December 2019, 2020 and 2021 and 30 June 2022 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 RMB62.3 million or 99.5% of trade receivables as at 30 June 2022 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			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payment in advance to suppliers	26,867	658	—	—
Other receivables	8,901	11,279	10,040	14,935
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Deposit	422	348	336	226
Prepayments	373	656	521	278
Value added tax recoverable	19	141	1,275	384
	37,828	15,679	15,356	19,921
Less: Impairment provision	(74)	(48)	(56)	(210)
	37,754	15,631	15,300	19,711

Our prepayments, deposits and other receivables decreased by approximately RMB22.2 million or approximately 58.7% 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 certain of our suppliers, such as 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) with advance payment of approximately RMB4.8 million and nil as at 31 December 2019 and 2020, respectively, Gutian Yuanyuan Agricultural Professional Cooperative* (古田縣源遠農業專業合作社) with advance payments of approximately RMB3.5 million and nil as at 31 December 2019 and 2020, respectively, and Guangchang Yihe Food Co., Ltd.* (廣昌縣義荷食品有限公司) with advance payment of approximately RMB4.5 million and nil as at 31 December 2019 and 2020, respectively, no longer required an advance payment for purchase of raw materials after FY2020 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. Our prepayments, deposits, and other receivables increased to approximately RMB19.7 million as at 30 June 2022, primarily due to the increase in other receivables of approximately RMB4.9 million which was mainly attributable to the increase in revenue derived from concessionary counters at the relevant time. Other receivables recorded during the Track Record Period mainly consisted of concessionary counter sales receivables which are trade in nature. Such receivables were not classified as trade receivables as the relevant sum has been collected immediately by the supermarkets from the end consumers through concessionary counters, while the significant risks and rewards of ownership of goods has already been transferred to the end consumers via these sales through the concessionary counters. The sum received by the supermarkets on behalf of us will then later be transferred to us and thus these balances were classified as other receivables. As at the Latest Practicable Date, approximately RMB15.6 million or 78.3% of our prepayments, deposits and other receivables as at 30 June 2022 were subsequently settled.

Trade payables

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	24,774	52,390	42,511	61,448

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 111.3%, 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. Our trade payables increased to approximately RMB61.4 million as at 30 June 2022, which was mainly attributable to an increase in our procurement in order to cope with the market demand for the Mid-Autumn Festival.

The following table sets out our trade payables turnover days for the years/period indicated:

	FY2019	**FY2020**	**FY2021**	**6M2022**
Average trade payable turnover day(s) *(Note)*	47.6	73.2	74.2	83.3

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 number of days is 365 days for the year ended 31 December or 181 days for the six months ended 30 June.

The following table sets out our trade payables ageing analysis as at the dates indicated:

	As at 31 December			**As at 30 June**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within six months	24,121	52,390	42,511	61,448
Six months to 1 year	653	—	—	—
Over 1 year	—	—	—	—
	24,774	52,390	42,511	61,448

During the Track Record Period, the average trade payables turnover days were approximately 47.6 days, 73.2 days, 74.2 days and 83.3 days, respectively. Our average trade payables turnover days increased in FY2020 and 6M2022 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, all of our trade payables as at 30 June 2022 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			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	3,491	2,816	1,855	1,643
Accruals	13,717	10,979	12,525	14,304
Deferred revenue	251	251	—	—
	17,459	14,046	14,380	15,947

The following table sets forth a breakdown of our accruals as at the dates indicated:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Accrued wages and staff benefits	7,174	4,450	4,604	3,982
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Accrual for sales return	1,462	1,097	1,212	1,422
Others	736	988	922	857
	13,717	10,979	12,525	14,304

Accruals and other payables primarily consist of accrued salaries and staff costs, accrued **[REDACTED]**, and other tax payables.

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, FY2021 and 6M2022, the product returns from our customers amounted to approximately RMB2.8 million, RMB0.7 million, RMB0.2 million and RMB0.1 million, respectively. In accordance with HKFRS 15.50, if the consideration promised in a contract includes a variable amount, an entity shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. The right of return given is considered to be the variable consideration. Our Directors use the accumulated yearly average historical sales return during the Track Record Period instead of previous yearly average sales return to estimate the accrual for sales return for the sake of prudence, therefore the accrual for sales returns maintained at a similar level during the Track Record Period even the amount of the product returns from our customers was on a decreasing trend.

Our accruals and other payables decreased by approximately RMB3.5 million or 20.0% 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, RMB14.4 million and RMB15.9 million as at 31 December 2020, 2021 and 30 June 2022, respectively.

Contract liabilities

The following table sets forth our contract liabilities as at the dates indicated:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities arising from sale of dried delicacies, snacks, dried aquatic products, grains and seasonings and others	450	290	593	1,709

As at the Latest Practicable Date, all of our contract liabilities as at 30 June 2022 were subsequently recognised as revenue.

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 RMB11.6 million or 36.9% 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. Our property, plant and equipment remained relatively stable at approximately RMB43.3 million as at 30 June 2022.

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, 2021 and 30 June 2022, we recorded right-of-use assets of approximately RMB6.0 million, RMB5.9 million, RMB6.3 million and RMB6.2 million, respectively. The table below sets forth our right-of-use assets amount as at the dates indicated:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use right, and warehouses	6,007	5,860	6,310	6,199

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.

Goodwill

Impairment testing of goodwill

	RMB'000
Gross carrying amount	
At 1 January 2019, 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022	269
Accumulated impairment losses	
At 1 January 2019, 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022	—
Net carrying amount	
At 31 December 2019	269
At 31 December 2020	269
At 31 December 2021	269
At 30 June 2022	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 2.0%-2.5% throughout the Track Record Period.

	At 31 December			**At 30 June**
	2019	**2020**	**2021**	**2022**
Pre-tax discount rate	16.1%	14.8%	15.3%	13.7%
Revenue growth rate within the five year	2.9% to 5.6%	3.0% to 5.0%	3.0% to 4.0%	3.0% to 4.0%
Terminal growth rate	2.5%	2.5%	2.0%	2.0%

The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU.

The operating margin and growth rate within the five-year period is based on past experience.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom was as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Headroom	197,605	125,358	195,352	194,666

The management performed the sensitivity analysis based on the abovementioned key assumptions have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pre-tax discount rate increased by 5%	184,345	119,459	182,785	180,269
Revenue growth rate within the five year decreased by 5%	195,719	121,183	190,927	189,310
Terminal growth rate decreased by 5%	195,961	124,561	194,115	193,035

Management has also concluded that there is no reasonably possible change to a key assumption used in determining recoverable amount that would cause the CGU's carrying amount to exceed its recoverable amount.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at 31 December 2019, 2020 and 2021, 30 June 2022 and 31 October 2022, being the most recent practicable date for the purpose of determining our indebtedness:

	As at 31 December			As at 30 June	As at 31 October
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Borrowings					
— Secured	83,723	97,640	69,740	57,646	46,402
— Unsecured	20,000	20,000	20,000	—	—
— Provision of interest expenses	922	946	919	—	—
Amount due to Mr. Yang	—	9	9	—	—
Lease liabilities	2,185	2,020	84	42	14
Total	106,830	120,615	90,752	57,688	46,416

Borrowings

As at 31 December 2019, 2020, 2021, 30 June 2022 and 31 October 2022, our borrowings amounted to approximately RMB104.6 million, RMB118.6 million, RMB90.7 million, RMB57.6 million and RMB46.4 million, respectively. Among which, borrowings amounted to approximately RMB20 million, RMB20 million, RMB20 million, nil and nil (the "**Subject Loan**") as at 31 December 2019, 2020 and 2021, 30 June 2022 and 31 October 2022 were obtained from an independent financial institution (the "**Independent Financial Institution**"). As at 31 December 2019, 2020, 2021, 30 June 2022 and 31 October 2022, secured borrowings were charged at fixed/floating effective interest rates ranging from approximately 5.22% to 11.00%, 3.25% to 9.72%, 4.35% to 8.5%, 4.35% to 7.92% and 4.80% to 7.92% per annum, respectively. As at 31 December 2019, 2020 and 2021, 30 June 2022 and 31 October 2022, unsecured borrowings, i.e. the Subject Loan were charged at fixed effective interest rates of approximately 8.5%, 8.5%, 8.5%, nil and nil per annum, respectively. As at 31 October 2022, we had aggregate borrowings of approximately RMB46.4 million, of which all was utilised.

The Independent Financial Institution is an unlisted non-bank financial institution established in Jiangxi Province and licenced by the China Banking and Insurance Regulatory Commission to engage in a broad range of trust, lending, securities and consultancy business, and a subsidiary of a company controlled by the State-owned Assets Supervision and Administration Commission of the State Council. We acquired the Guangchang Plant in 2017 and continued to invest on furnishment and purchasing of equipment in 2017 and 2018, resulting in a tight cash position by end of 2018. In view that additional working capital would be required for production of our new vegetable snack products, and raw material suppliers at the relevant time generally required advance payment from us, we therefore obtained the Subject Loan from the Independent Financial Institution in January 2019 to finance our operational needs. The Subject Loan is an unsecured loan with a loan principal of RMB20 million for a term of 36 months at a fixed interest rate of 8.5% per annum. In August 2020, as our cash position improved, we requested for early repayment of the Subject Loan. However, the Independent Financial Institution rejected our request and therefore we repaid the Subject Loan pursuant to the agreed terms in January 2022. To the best knowledge of our Directors, save for the Subject Loan, none of the Group, our Directors, senior management, our Shareholders and any of their respective associates has any other past or present relationships with the Independent Financial Institution (including its directors and ultimate beneficial owners).

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 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 31 December 2020 and 2021, amount due to Mr. Yang of approximately RMB9,000 and RMB9,000, respectively, was non-trade in nature, unsecured, non-interest bearing and repayable on demand.

Guarantees provided to Mr. Yang's loans

On 23 September 2020, Mr. Lan Desen (the "**First Lender**"), as lender, Mr. Yang, as borrower, and Jiangxi Zhengwei, as guarantor, entered into a loan agreement in relation to a RMB2 million loan (the "**First Loan**") for a term from 23 September 2020 to 22 December 2020 at an interest rate of 1.8% per month, whereby Mr. Yang intended to use the First Loan to fund the short-term liquidity needs of Jiangxi Mingpinhui Trading Co., Ltd.* (江西名品匯貿易有限公司) ("**Mingpinhui**"), which is a company ran by Mr. Yang Lingwei, who is the son of Mr. Yang. Jiangxi Zhengwei provided a joint liability guarantee in respect of the First Loan. Pursuant to the guarantee, Mr. Yang also counter guaranteed to Jiangxi Zhengwei that all liability, loss or expenses arising from the guarantee provided by Jiangxi Zhengwei in relation to the First Loan shall be borne solely by Mr. Yang.

On 4 January 2022, Ms. Zou Yumin (the "**Second Lender**"), as lender, Mr. Yang, as borrower, Jiangxi Zhengwei, as guarantor, and Mr. Lan Hui, as third party, entered into a loan agreement in relation to a RMB2.22 million loan (the "**Second Loan**") for a term from 4 January 2022 to 24 January 2022 at a daily interest rate of 0.05%, whereby Mr. Yang intended to use the Second Loan to fund the short-term liquidity needs of Mingpinhui. Jiangxi Zhengwei provided a joint liability guarantee in respect of the Second Loan. Pursuant to the guarantee, Mr. Yang also counter guaranteed to Jiangxi Zhengwei that all liability, loss or expenses arising from the guarantee provided by Jiangxi Zhengwei in relation to the Second Loan shall be borne solely by Mr. Yang. On 24 January 2022, Mr. Yang repaid loan principal and interests accrued in an aggregate amount of RMB643,310 to the Second Lender.

On 6 January 2022, Mr. Lan Xueduan (the "**Third Lender**"), as lender, Mr. Yang, as borrower, Jiangxi Zhengwei, Mr. Li Hui, Mr. Wu Bangjun and Ms. Lin, each as guarantor, entered into a loan agreement in relation to a RMB1 million loan (the "**Third Loan**") for a term from 6 January 2022 to 5 February 2022 with a monthly interest of RMB15,000 per month, whereby Mr. Yang intended to use the Third Loan to fund the short-term liquidity needs of Mingpinhui. Jiangxi Zhengwei provided a joint liability guarantee in respect of the Third Loan. Pursuant to the guarantee, Mr. Yang also counter guaranteed to Jiangxi Zhengwei, Mr. Li Hui and Mr. Wu Bangjun that all liability, loss or expenses arising from the guarantee provided by Jiangxi Zhengwei, Mr. Li Hui and Mr. Wu Bangjun in relation to the Third Loan shall be borne solely by Mr. Yang.

According to the PRC Company Law, where a company provides guarantee to its shareholders, it must be resolved by the shareholders' meeting. The guarantees in respect of the First Loan, Second Loan and Third Loan (collectively, the "**Loans**") were duly approved by the board of directors and shareholders of Jiangxi Zhengwei prior to entering into the relevant loan agreements with the First Lender, Second Lender and Third Lender (collectively, the "**Lenders**"). On this basis, we are advised by our PRC Legal Advisers that the guarantees of the Loans provided by Jiangxi Zhengwei complied with the relevant rules and regulations in the PRC and the Articles of Association of Jiangxi Zhengwei.

Late repayments of the Loans

Although Mr. Yang was the principal borrower of the Loans, the underlying purpose of the Loans was to fund the short-term liquidity needs of Mingpinhui, which was made known to the Lenders before the relevant loan agreements were entered into. As Mr. Yang intended to have a clear business and financial delineation between the businesses of the Group and Mingpinhui, and as a father, Mr. Yang wanted his son to be financially independent of him, Mr. Yang was of the view that Mr. Yang Lingwei should take responsibility to repay the Loans himself.

Due to instances of delayed payments from customers which put the cash flow and working capital of Mingpinhui under pressure, Mr. Yang Lingwei failed to repay the Loans on time. Since Mr. Yang Lingwei had communicated with his father that he would be able to repay the Loans once the cash flow position of Mingpinhui became steady, Mr. Yang therefore did not provide the funds to Mr. Yang Lingwei in his own capacity but helped to liaise with the Lenders to extend the relevant repayment dates so as to pressure Mr. Yang Lingwei to take responsibility of and repay the Loans on one hand and to avoid Jiangxi Zhengwei being exposed to litigation proceedings for enforcement of the guarantees by the Lenders on the other hand. Such intention was communicated to the Lenders who had previously agreed to extend the repayment deadlines of the Loans for several times, therefore Mr. Yang did not expect the Lenders to initiate legal proceedings to recover the debts without first notifying him.

Nonetheless, due to late repayment of (i) the First Loan, (ii) the remaining balance of the Second Loan of RMB1.6 million and the interest accrued thereon; and (iii) the Third Loan (collectively, the "**Outstanding Loans**"), the Lenders commenced legal proceedings against Mr. Yang, Jiangxi Zhengwei and other individual guarantors. As at the Latest Practicable Date, Mr. Yang had fulfilled his repayment obligations under the relevant loan agreements after Mr. Yang Lingwei had transferred the relevant amounts to Mr. Yang for repayment of the Outstanding Loans. As advised by the PRC Legal Advisers, (i) all of the relevant litigations were fully settled; and (ii) Mr. Yang, Jiangxi Zhengwei and the individual guarantors will no longer be liable for any amount of the Loans and the relevant guarantees.

In this regard, as part of the Group's enhanced internal control measures to prevent recurrence of similar incidents, (a) the Company's Articles of Association has been amended to prohibit the Company to directly or indirectly enter into guarantee or provide any security in connection with a loan made by any person to any of the Directors, senior management or substantial shareholders, or that of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors, senior management or substantial shareholders hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make 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. For further details, please refer to the section headed "2. Articles of Association — (b) Directors — (vii) Loans and provision of security for loans to Directors" in Appendix III to this document; and (b) our Group had adopted the following enhanced internal control measures in relation to the provision of guarantees by the Group (for more details, please refer to the section headed "Business — Risk Management and Internal Control" in this document):

(i) at all times, all Group companies are strictly prohibited to provide guarantees in respect of any loans or indebtedness undertaken by any Directors, senior management or substantial shareholders (or their respective close associates);

(ii) prior to **[REDACTED]**, the provision of guarantees to any entities (except the Group companies) or individuals shall be approved by (a) each independent Director (or his/her associates) whose loan or indebtedness is proposed to be guaranteed by the Group companies); and (b) each independent shareholder (except the shareholder (or his/her/its associates) whose loan or indebtedness is proposed to be guaranteed by the Group companies); and

(iii) upon **[REDACTED]**, the provision of guarantees to any entities (except the Group companies) or individuals shall be approved by (a) each independent non-executive Directors (except the independent non-executive Director (or his/her associates) whose loan or indebtedness is proposed to be guaranteed by the Group companies); and (b) the shareholders in accordance with the Listing Rules.

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 June	As at 31 October
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)
Minimum future lease payments					
Within one year	422	398	86	43	15
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	43	15
Less: Future finance charge	(1,050)	(879)	(2)	(1)	(1)
	2,185	2,020	84	42	14

Contingent liabilities

During the Track Record Period and up to 31 October 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 31 October 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

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the indebtedness of our Group since 31 October 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/period or as of the dates indicated:

		As at/For the year/period ended			
		31 December			30 June
	Notes	2019	2020	2021	2022
Current ratio	*1*	1.7 times	1.8 times	2.1 times	2.3 times
Quick ratio	*2*	1.2 times	1.2 times	1.4 times	1.6 times
Gearing ratio	*3*	97.9%	73.9%	42.9%	24.8%
Net debt-to-equity ratio	*4*	60.2%	N/A	N/A	N/A
Interest coverage ratio	*5*	7.4 times	7.1 times	10.4 times	13.5 times
Return on total assets	*6*	15.5%	11.5%	13.2%	N/A
Return on equity	*7*	37.5%	25.1%	22.8%	N/A
Net profit margin	*8*	13.8%	14.5%	14.1%	12.5%

Notes:

1. Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year/period.

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/period.

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/period 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/period 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/period.

6. For FY2019, FY2020 and FY2021, 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%. Return on total assets for 6M2022 is not meaningful as it is not comparable to the annual figures.

7. For FY2019, FY2020 and FY2021, 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%. Return on equity for 6M2022 is not meaningful as it is not comparable to the annual figures.

8. Net profit margin is calculated by the profit for the year divided by the revenue for the respective year/period 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. Our current ratio was approximately 2.3 times as at 30 June 2022. Such increase was mainly attributable to the increase in cash and cash equivalents of approximately RMB10.9 million, coupled with the decrease in borrowings in current liabilities portion of approximately RMB32.0 million, and partially offset by the increase in trade payables of approximately RMB18.9 million.

Quick ratio

Our quick ratio remained relatively stable at approximately 1.2 times, 1.2 times, 1.4 times and 1.6 times as at 31 December 2019, 2020 and 2021 and 30 June 2022, 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.

Our gearing ratio was approximately 24.8% as at 30 June 2022. Such decrease was mainly attributable to the decrease in our total borrowings of approximately RMB33.0 million as at 30 June 2022.

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, and 30 June 2022, 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. Our interest coverage ratio was approximately 13.5 times for 6M2022.

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%, 14.1% and 12.5%, 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$**[REDACTED]** per **[REDACTED]**, being the **[REDACTED]** of the indicative **[REDACTED]** range, and assuming that the **[REDACTED]** is not exercised) for the **[REDACTED]** are approximately RMB**[REDACTED]** (approximately HK$**[REDACTED]**), 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]** (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$**[REDACTED]**), and **[REDACTED]** of approximately RMB**[REDACTED]** (approximately HK$**[REDACTED]**). During the Track Record Period, we incurred **[REDACTED]** of approximately RMB**[REDACTED]**, which have been charged to our consolidated 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 consolidated 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 30 June 2022, our Group had statutory reserve and retained earnings of approximately RMB160.2 million available for distribution to our Shareholders.

UNAUDITED [REDACTED] OF ADJUSTED CONSOLIDATED 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.

BUSINESS OBJECTIVES

Our business objective is to continue to strengthen our position and expand our presence in dried food and snack production market 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$**[REDACTED]** per Share (being the **[REDACTED]** of the **[REDACTED]** range stated in this document), will be approximately HK$**[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 vegetable snack products and 2,000 tonnes of meat snack products, of which:

  — approximately **[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 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 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 vegetable snacks and 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 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 **[REDACTED]** of the indicative **[REDACTED]** range, 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 apply the additional **[REDACTED]** for the above purposes on a pro-rata basis. If the **[REDACTED]** is set at the **[REDACTED]** of the indicative **[REDACTED]** range, 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$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), assuming the **[REDACTED]** is fixed at the **[REDACTED]** of the **[REDACTED]** range, being HK$**[REDACTED]** per **[REDACTED]**; (ii) approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), assuming the **[REDACTED]** is fixed at the **[REDACTED]** of the **[REDACTED]** range, being HK$**[REDACTED]** per **[REDACTED]**; and (iii) approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), assuming the **[REDACTED]** is fixed at the **[REDACTED]** of the **[REDACTED]** range, being HK$**[REDACTED]** per **[REDACTED]**. Any additional **[REDACTED]** received by us from the exercise of the **[REDACTED]** will also be allocated 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 will deposit them in interest-bearing accounts with licenced commercial banks or authorised financial institutions (as defined under the SFO). 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]

[REDACTED]

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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-103, which comprises the consolidated statements of financial position as at 31 December 2019, 2020, 2021 and 30 June 2022 and the statements of the financial position of the Company as at 31 December 2020, 2021 and 30 June 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 (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-103 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 **[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, 2021 and 30 June 2022, the Group's financial position as at 31 December 2019, 2020, 2021 and 30 June 2022, 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.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statements of change in equity and the consolidated statements of cash flow for the six months ended 30 June 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, 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, **[REDACTED]**

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. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	*6*	297,398	282,889	341,998	145,595	166,956
Cost of sales		(201,147)	(192,301)	(233,518)	(103,170)	(112,987)
Gross profit		96,251	90,588	108,480	42,425	53,969
Other revenue	*7*	4,500	5,153	4,181	3,527	288
Other gains and losses	*8*	1,013	3,655	3,797	1,354	266
Distribution and selling expenses		(21,877)	(20,314)	(28,224)	(13,993)	(13,281)
Administrative expenses		(20,415)	(20,504)	(23,130)	(10,347)	(13,098)
Provision/(reversal) of impairment loss recognised on trade and other receivables and deposits, net		58	580	893	816	(152)
Finance costs	*9*	(7,530)	(7,760)	(6,150)	(3,242)	(1,814)
[REDACTED]		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Profit before income tax expense	*10*	48,262	47,313	57,844	19,263	22,722
Income tax expense	*14*	(7,317)	(6,374)	(9,552)	(2,502)	(1,853)
Profit for the year/period		40,945	40,939	48,292	16,761	20,869
Profit for the year/period attributable to:						
Owners of the Company		40,945	40,939	48,292	16,761	20,869
Profit for the year/period		40,945	40,939	48,292	16,761	20,869
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	435	59
— Revaluation of property, plant and equipment and right-of-use assets on transfer to investment property		826	—	—	—	—
Other comprehensive income for the year/period		1,048	(446)	212	435	59
Total comprehensive income for the year/period		41,993	40,493	48,504	17,196	20,928
Total comprehensive income for the year/period attributable to:						
Owners of the Company		41,993	40,493	48,504	17,196	20,928

2. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30 June
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	18	30,424	31,415	42,953	43,347
Right-of-use assets	19	6,007	5,860	6,310	6,199
Investment property	20	5,430	5,590	—	—
Goodwill	21	269	269	269	269
Intangible assets	22	1,458	1,073	688	523
Financial asset at fair value through other comprehensive income	23	1,355	909	1,121	1,180
Deferred tax assets	24	1,885	946	617	604
Deposits and other receivables	27	1,392	557	—	—
Total non-current assets		48,220	46,619	51,958	52,122
Current assets					
Inventories	25	62,445	98,248	106,459	97,188
Trade receivables	26	74,344	52,395	63,163	62,342
Prepayments, deposits and other receivables	27	37,754	15,631	15,300	19,711
Right of return assets	28	976	767	818	918
Amount due from a related party	29	58	58	—	34
Amounts due from shareholders	35	—	343	343	343
Cash and cash equivalents	30	41,136	142,338	127,321	138,195
Total current assets		216,713	309,780	313,404	318,731
Total assets		264,933	356,399	365,362	370,853
Current liabilities					
Trade payables	31	24,774	52,390	42,511	61,448
Other payables and accruals	32	17,459	14,046	14,380	15,947
Contract liabilities	33	450	290	593	1,709
Borrowings	34	80,972	98,586	87,033	55,019
Amount due to a shareholder	35	—	9	9	—
Lease liabilities	19	249	238	84	42
Income tax payable		4,306	4,171	5,490	1,497
Total current liabilities		128,210	169,730	150,100	135,662
Net current assets		88,503	140,050	163,304	183,069
Total assets less current liabilities		136,723	186,669	215,262	235,191

		As at 31 December			As at 30 June
	Notes	**2019**	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Borrowings	*34*	23,673	20,000	3,626	2,627
Lease liabilities	*19*	1,936	1,782	—	—
Other payables	*32*	2,005	1,755	—	—
Total non-current liabilities		27,614	23,537	3,626	2,627
NET ASSETS		109,109	163,132	211,636	232,564
Equity attributable to owners of the Company					
Share capital	*36*	—	372	372	372
Reserves	*37*	109,109	162,760	211,264	232,192
TOTAL EQUITY		109,109	163,132	211,636	232,564

3. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		As at 30 June
		2020	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Non-current asset				
Investment in a subsidiary	*38*	363	363	363
Total non-current asset		363	363	363
Current assets				
Amounts due from shareholders	*35*	343	343	343
Prepayments, deposits and other receivables		1	1	24
Total current assets		344	344	367
Total assets		707	707	730
Current liabilities				
Amounts due to subsidiaries	*(i)*	327	449	549
Other payables and accruals		—	—	13
Total current liabilities		327	449	562
Net current assets/(liabilities)		17	(105)	(195)
Total assets less current liabilities		380	258	168
NET ASSETS		380	258	168
Equity attributable to owners of the Company				
Share capital	*36*	372	372	372
Retained earnings/(accumulated losses)	*37*	8	(114)	(204)
Total equity		380	258	168

(i) The amounts due to subsidiaries as at 31 December 2020 and 2021 and 30 June 2022 mainly represented share issue costs and **[REDACTED]** paid on behalf of the Company by its subsidiaries.

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Capital reserve	Statutory reserve	Merger reserve	Property revaluation reserve	FVOCI 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 on financial asset at fair value through other comprehensive income	—	—	—	—	—	222	—	222	222
• Revaluation of property, plant and equipment and right-of-use assets on transfer to investment property	—	—	—	—	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 on financial asset at fair value through other comprehensive income	—	—	—	—	—	(446)	—	(446)	(446)
Total comprehensive income	—	—	—	—	—	(446)	40,939	40,493	40,493
Issue of shares	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	Property revaluation reserve	FVOCI 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 on 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
As at 1 January 2021	372	—	9,371	50,603	826	(591)	102,551	163,132	163,132
Profit for the period	—	—	—	—	—	—	16,761	16,761	16,761
Other comprehensive income:									
• Fair value change on financial asset at fair value through other comprehensive income	—	—	—	—	—	435	—	435	435
Total comprehensive income	—	—	—	—	—	435	16,761	17,196	17,196
Transfer from retained earnings to statutory reserve	—	—	845	—	—	—	(845)	—	—
As at 30 June 2021 (unaudited)	372	—	10,216	50,603	826	(156)	118,467	180,328	180,328
As at 1 January 2022	372	—	11,829	50,603	826	(379)	148,385	211,636	211,636
Profit for the period	—	—	—	—	—	—	20,869	20,869	20,869
Other comprehensive income									
• Fair value change on financial asset at fair value through other comprehensive income	—	—	—	—	—	59	—	59	59
Total comprehensive income	—	—	—	—	—	59	20,869	20,928	20,928
Transfer from retained earnings to statutory reserve	—	—	1,389	—	—	—	(1,389)	—	—
As at 30 June 2022	372	—	13,218	50,603	826	(320)	167,865	232,564	232,564

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cash flows from operating activities					
Profit before income tax expense	48,262	47,313	57,844	19,263	22,722
Adjustments for:					
Depreciation of property, plant and equipment	2,411	2,374	3,793	1,350	1,801
Depreciation of right-of-use assets	268	231	214	105	111
Loss from net investment in subleases	1,920	—	—	—	—
Gain from early termination of subleases	—	—	(1,782)	—	—
Finance costs	7,530	7,760	6,150	3,242	1,814
Provision/(reversal) of impairment loss recognised on trade receivables, net	146	(554)	(901)	(899)	(2)
(Reversal)/provision of impairment loss recognised on deposits and other receivables, net	(204)	(26)	8	83	154
Amortisation of intangible assets	385	385	385	192	165
Fair value gain on investment property	(70)	(160)	(1,100)	(1,010)	—
Interest income	(125)	(273)	(307)	(161)	(188)
(Reversal of write-down)/write-down of inventories	(1,094)	(627)	171	—	(171)
Exchange loss, net	—	29	—	—	—
Loss on disposal of property, plant and equipment	74	13	264	263	52
Reversal for the provision of social insurance and housing provident fund	(2,937)	(3,537)	(1,179)	(607)	(318)
Operating profits before working capital changes	56,566	52,928	63,560	21,821	26,140
Decrease/(increase) in inventories	8,815	(35,176)	(8,382)	(9,762)	9,442
(Increase)/decrease in trade receivables	(46,095)	22,503	(9,867)	(16,882)	823
(Increase)/decrease in prepayments, deposits and other receivables	(1,190)	24,334	(469)	(4,735)	(3,652)
Increase in amount due from a related party	(58)	—	—	(152)	(34)
(Decrease)/increase in trade payables	(1,847)	27,617	(9,880)	(20,397)	18,937
Increase/(decrease) in other payables and accruals	1,383	(126)	(237)	450	1,885
Decrease/(increase) in right of return assets	1,197	209	(51)	(270)	(100)
Increase/(decrease) in contract liabilities	191	(160)	303	82	1,116
Cash generated from/(used in) operations	18,962	92,129	34,977	(29,845)	54,557
Income tax paid	(8,374)	(5,570)	(7,905)	(2,314)	(5,832)
Net cash generated from/(used in) operating activities	10,588	86,559	27,072	(32,159)	48,725

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cash flows from investing activities					
Purchases of property, plant and equipment	(1,454)	(3,378)	(9,488)	(5,203)	(2,247)
Net cash inflow from disposal of subsidiary *(Note 39)*	—	—	1,933	—	—
Proceeds from disposal of property, plant and equipment	—	—	3	—	—
Purchases of intangible assets	(1,300)	—	—	—	—
Advances from a related party	—	—	58	—	—
Interest received	125	273	307	161	188
Net cash used in investing activities	(2,629)	(3,105)	(7,187)	(5,042)	(2,059)
Cash flows from financing activities					
Repayment of principal portion of the lease liabilities	(119)	(249)	(238)	(197)	(42)
Proceeds from new borrowings	117,610	100,340	83,700	25,450	1,800
Repayment of borrowings	(93,467)	(86,422)	(111,600)	(48,850)	(33,893)
Interest paid	(6,340)	(7,669)	(6,155)	(4,764)	(2,734)
Repayment to related parties	(873)	—	—	—	—
Advances from shareholders	—	9	—	—	—
Repayment to shareholders	(2,981)	—	—	—	(9)
Payment of deferred **[REDACTED]**	**[REDACTED]**	**[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 from/(used in) financing activities	32,507	17,748	(34,902)	(28,706)	(35,792)
Net increase/(decrease) in cash and cash equivalents	40,466	101,202	(15,017)	(65,907)	10,874
Cash and cash equivalents at the beginning of year/period	670	41,136	142,338	142,338	127,321
Cash and cash equivalents at the end of year/period	41,136	142,338	127,321	76,431	138,195
Analysis of the balances of cash and cash equivalents:					
Cash and bank balances	41,136	142,338	127,321	76,431	138,195

Reconciliation of liabilities arising from financing activities

	Borrowings	Amounts due to related parties	Amount due to a 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 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 1 January 2020	104,645	—	—	2,185
Changes from cash flow:				
Proceeds from new borrowings	100,340	—	—	—
Advance from 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 of lease modification	—	—	—	84
Total other changes	7,519	—	—	257
As at 31 December 2020	118,586	—	9	2,020

	Borrowings	Amounts due to related parties	Amount due to a shareholder	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	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:				
Early termination of leases	—	—	—	(1,782)
Effect of lease modification	—	—	—	84
Interest expenses	5,966	—	—	162
Total other changes	5,966	—	—	(1,536)
As at 31 December 2021	90,659	—	9	84
As at 1 January 2021	118,586	—	9	2,020
Changes from cash flow:				
Proceeds from new borrowings	25,450	—	—	—
Repayment of borrowings	(48,850)	—	—	—
Repayment of principal portion of lease liabilities	—	—	—	(197)
Interest paid	(4,762)	—	—	(2)
Total financing cash flow	(28,162)	—	—	(199)
Other changes:				
Interest expenses	3,162	—	—	80
Total other changes	3,162	—	—	80
As at 30 June 2021 (unaudited)	93,586	—	9	1,901
As at 1 January 2022	90,659	—	9	84
Changes from cash flow:				
Proceeds from new borrowings	1,800	—	—	—
Repayment of borrowings	(33,893)	—	—	—
Repayment to a shareholder	—	—	(9)	—
Repayment of principal portion of lease liabilities	—	—	—	(42)
Interest paid	(2,733)	—	—	(1)
Total financing cash flow	(34,826)	—	(9)	(43)
Other changes:				
Interest expenses	1,813	—	—	1
Total other changes	1,813	—	—	1
As at 30 June 2022	57,646	—	—	42

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 30 June 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 71 Fort Street, PO Box 500, George Town, Grand Cayman, KY1-1106, 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, snacks, 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, snacks, 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 abovementioned 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 parties 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 Historical 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 consolidating 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 consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidating entities or businesses from the earliest date presented or since the date when the consolidating 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 consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period 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 consolidated statements of financial position of the Group as of 31 December 2019, 2020 and 2021 and 30 June 2022 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"	British Virgin Islands ("**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 and fully paid capital RMB154,084,000	Investment holding, sourcing, processing and trading of dried delicacies, grains, seasonings and 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 snacks food, PRC	(a)
Guangchang County Zhenglian Biotechnology Co., Limited* "Gunangchang Zhenglian" (廣昌縣正蓮生物科技有限公司)	PRC, 18 September 2017, limited liability company	—	100%	Registered and fully paid capital RMB30,000,000	Sourcing and processing of lotus seeds and performing research and development, PRC	(a)
Pingnan Anwang Trade Co., Limited* "Pingan 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 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 the 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 consolidated 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 consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 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 consolidated statements of financial position of the Group as at 31 December 2019, 2020, 2021 and 30 June 2022 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 2022 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[2]
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]

1 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.

2 Effective for annual periods beginning on or after 1 January 2023.

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 consolidated financial statements.

HKFRS 17 — Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the consolidated 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 consolidated financial statements in future periods should such transaction arise.

Amendments to HKAS 1, Presentation of Financial Statements — Making Materiality Judgement

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated 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 consolidated 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 consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Merger accounting for the Reorganisation

The consolidated financial statements incorporate the financial statements of the consolidating entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party.

The net assets of the consolidating entities or businesses are consolidated 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 consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidating entities from the earliest date presented or since the date when the consolidating 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 consolidation

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.

The Historical Financial Information comprise the financial statements of the Company and its subsidiaries (the "**Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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.

(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.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and

- historic patterns in voting attendance.

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 reporting 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 consolidated 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 consolidated 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 either a straight-line basis or another systematic basis over the remaining lease term. The Group applies the derecognition requirements of HKFRS 9 the to recognise modification or derecognition gain or loss on the net investment in the finance lease.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognises the net investment in the sublease as "Lease receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognises lease income from sublease in profit or loss within "Revenue". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

(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 method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss 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 consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated 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 are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance with Note 4(q).

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 contract 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 dried delicacies, snacks, dried aquatic products, grains, seasonings and others

Customers obtain control of the food products when they have 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 rises 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 goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(m) Income taxes

Income taxes for the year and the period 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 reporting 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 each reporting 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 the reporting 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 reporting 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 consolidated 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 consolidated 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 estimates the amount of variable consideration based on historical experience, business forecast, the current economic environment, as well as the uncertainty about the amount of consideration is not expected to be resolved for a long period of time.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and 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 and intangible assets are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment, goodwill are 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 (Note 20); 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			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Dried delicacies	86,800	70,454	87,410	37,375	50,471
Snacks	128,419	137,426	171,059	73,733	77,467
Dried aquatic products	46,716	52,965	59,002	22,712	29,300
Grains	28,791	17,899	21,358	10,501	8,187
Seasonings and others	6,672	4,145	3,169	1,274	1,531
	297,398	282,889	341,998	145,595	166,956
Timing of revenue recognition					
At a point in time	297,398	282,889	341,998	145,595	166,956

(a) Reportable segment revenue, profit and other material items

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			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB '000*
Revenue from contracts with customer within the scope of HKFRS 15:					
Manufacturing	223,435	228,949	250,352	103,806	144,837
Trading	73,963	53,940	91,646	41,789	22,119
	297,398	282,889	341,998	145,595	166,956

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	223,435	73,963	297,398
Inter-segment revenue	75,121	—	75,121
Reportable segment revenue	298,556	73,963	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
Reversal of write-down/(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	228,949	53,940	282,889
Inter-segment revenue	19,735	—	19,735
Reportable segment revenue	248,684	53,940	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
Reversal of write-down/(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	250,352	91,646	341,998
Inter-segment revenue	20,846	—	20,846
Reportable segment revenue	271,198	91,646	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
Reversal of write-down/(write down) of inventories	(171)	—	(171)
Income tax expense	(2,182)	(7,370)	(9,552)

	Six months ended 30 June 2021		
	Manufacturing	**Trading**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Segment revenue from external customers	103,806	41,789	145,595
Inter-segment revenue	8,406	—	8,406
Reportable segment revenue	112,212	41,789	154,001
Reportable segment profit	10,185	10,467	20,652
Interest revenue	155	6	161
Interest expense	(3,060)	(182)	(3,242)
(Impairment loss)/ reversal of impairment loss:			
— Trade receivables	819	80	899
— Deposits and other receivables	(64)	(19)	(83)
	755	61	816
Reversal of write-down/(write down) of inventories	—	—	—
Income tax expense	(459)	(2,043)	(2,502)

	Six months ended 30 June 2022		
	Manufacturing	**Trading**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue from external customers	144,837	22,119	166,956
Inter-segment revenue	13,758	—	13,758
Reportable segment revenue	158,595	22,119	180,714
Reportable segment profit	18,247	8,846	27,093
Interest revenue	177	11	188
Interest expense	(1,676)	(138)	(1,814)
(Impairment loss)/reversal of impairment loss:			
— Trade receivables	2	—	2
— Deposits and other receivables	(142)	(12)	(154)
	(140)	(12)	(152)
Reversal of write-down/(write down) of inventories	171	—	171
Income tax expense	(92)	(1,761)	(1,853)

(b) Reconciliations of reportable segment revenue, profit or loss and other material items

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue					
Reportable segment revenue	372,519	302,624	362,844	154,001	180,714
Elimination of inter-segment revenue	(75,121)	(19,735)	(20,846)	(8,406)	(13,758)
	297,398	282,889	341,998	145,595	166,956
Profit before income tax expense					
Reportable segment profit	52,000	51,435	59,938	20,652	27,093
Other gains and losses	—	(37)	—	—	—
Unallocated corporate expenses	(3,738)	(4,085)	(2,094)	(1,389)	(3,496)
	48,262	47,313	57,844	19,263	23,597
Other material items					
Reportable depreciation and amortisation	3,064	2,990	4,392	1,647	2,077

(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 and 30 June 2022, 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			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Customer A	107,216	108,005	124,916	49,447	55,409
Customer B	55,108	53,148	54,348	14,342	23,732
Customer C	21,510	21,132	30,853	15,591	12,641
	183,834	182,285	210,117	79,380	91,782

7. OTHER REVENUE

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income from bank deposits	125	273	307	161	188
Government grants *(Note)*	4,122	4,620	3,690	3,256	100
Imputed interest on government grant receivable	78	40	—	—	—
Rental income	110	220	184	110	—
Others	65	—	—	—	—
	4,500	5,153	4,181	3,527	288

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 years ended 31 December 2019 and 2020, 2021 and for the six months ended 30 June 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 years ended 31 December 2019 and 2020 which does not have other unfulfilled obligations; and

(c) government grant for revenue growth for the years ended 31 December 2020 and 2021 and for the six months ended 30 June 2021 and 2022 which does not have other unfulfilled obligations.

8. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loss from net investment in subleases *(note i)*	(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	1,010	—
Exchange loss, net	—	(29)	—	—	—
Reversal for the provision of social insurance and housing provident fund	2,937	3,537	1,179	607	318
Loss on disposal of property, plant and equipment	(74)	(13)	(264)	(263)	(52)
	1,013	3,655	3,797	1,354	266

(i) This mainly arises from derecognition of right-of-use assets under sublease arrangement. Loss arose as the balance of right-of-use assets of the head lease outweighs the net investment in the sublease on date of derecognition.

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest expenses on bank and other borrowings	7,255	7,519	5,966	3,162	1,813
Guarantee fee	110	68	22	—	—
Interest expenses on lease liabilities	165	173	162	80	1
	7,530	7,760	6,150	3,242	1,814

10. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
(Reversal of write-down)/write-down of inventories *(Note i)*	(1,094)	(627)	171	—	(171)
Depreciation charge:					
— Owned property, plant and equipment *(Note 18)*	2,411	2,374	3,793	1,350	1,801
— Right-of-use-assets *(Note 19)*	268	231	214	105	111
	2,679	2,605	4,007	1,455	1,912
Amortisation on intangible assets included in *(Note 22)*:					
— Administrative expenses	25	25	25	13	4
— Research and development costs	360	360	360	179	161
	385	385	385	192	165
Auditors' remuneration	—	—	—	—	—
Cost of inventories recognised as expenses, including reversal of write-down and write-down of inventories	201,147	192,301	233,518	103,170	112,987
[REDACTED] — Hong Kong Exchanges and Clearing Limited ("**HKEX**")	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Research and development costs	9,491	10,225	10,386	4,353	6,142
Employee costs *(Note 11)*	21,706	29,331	38,955	17,728	17,800

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			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employee costs (including directors' emoluments *(Note 13)* comprise:					
Wages and salaries	17,347	26,084	30,722	14,797	14,405
Contributions to retirement benefits scheme	4,036	2,297	6,741	2,532	2,892
Other employee benefits	323	950	1,492	399	503
	21,706	29,331	38,955	17,728	17,800

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

		Six months ended 30 June 2021			
		Fees	Salaries, allowances and benefits in kind	Contributions to retirement benefits scheme	Total emoluments
		RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Executive directors					
Yang Shengyao	*(i)*	—	121	6	127
Lin Qiuyun	*(ii)*	—	73	6	79
Li Hui	*(iii)*	—	91	6	97
		—	285	18	303
Independent non-executive directors					
Li Taihong	*(iv)*	—	—	—	—
Lau Jing Yeung William	*(iv)*	—	—	—	—
Lee Kwok Tung Louis	*(iv)*	—	—	—	—
		—	—	—	—
		—	—	—	—

		Six months ended 30 June 2022			
		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)*	—	121	6	127
Lin Qiuyun	*(ii)*	—	73	6	79
Li Hui	*(iii)*	—	91	6	97
		—	285	18	303
Independent non-executive directors					
Li Taihong	*(iv)*	—	—	—	—
Lau Jing Yeung William	*(iv)*	—	—	—	—
Lee Kwok Tung Louis	*(iv)*	—	—	—	—
		—	—	—	—
		—	—	—	—

Notes:

(i) Mr. Yang Shengyao was appointed as an executive director and Chairman of the Board on 30 June 2020.

(ii) Ms. Lin Qiuyun was appointed as an executive director on 20 June 2022.

(iii) Mr. Li Hui was 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 independent non-executive directors on 16 December 2022.

(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, two and one director(s) for the years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2021 (unaudited) and 2022, respectively, whose emoluments are reflected in Note 13(i).

The analysis of the emolument of the remaining two, three, four, three and four highest paid individuals for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 (unaudited) and 2022, respectively, are set out below:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other benefits	361	563	919	557	780
Contributions to retirement benefits scheme	22	14	38	28	23
	383	577	957	585	803

The number of non-director highest paid individuals whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(unaudited)	
Nil to HK$1,000,000	2	3	4	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			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(unaudited)	
Nil to HK$1,000,000	1	1	1	1	1

14. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax — PRC Enterprise Income Tax (the "**PRC EIT**")					
— for the year	7,505	5,435	9,223	2,218	1,840
Deferred tax *(Note 24)*					
— for the year	(188)	939	329	284	13
Income tax expenses	7,317	6,374	9,552	2,502	1,853

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. Zhengwei Food and 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 consolidated statements of profit or loss and the comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before income tax expense	48,262	47,313	57,844	19,263	22,722
Tax calculated at the PRC statutory tax rate of 25%	12,066	11,837	14,461	4,816	5,680
Tax effect of revenue not taxable for tax purposes	(2,620)	(1,364)	(2,380)	(1,174)	(2,381)
Tax effect of expenses not deductible for tax purposes	119	95	117	126	116
Effect of tax preferential rates granted to the eligible PRC subsidiaries	(511)	(2,410)	(1,189)	(261)	(54)
Tax incentives for research and development expenses available for subsidiaries incorporated in the PRC	(1,728)	(1,875)	(1,902)	(1,088)	(1,517)
Tax losses/temporary difference not recognised	(9)	91	445	83	9
	7,317	6,374	9,552	2,502	1,853

The weighted average applicable tax rate was 15.2%, 13.5%, 16.5%, 13.0% and 8.2% for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 (unaudited) and 2022 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

	Six months ended 30 June 2021		
	Before-tax amount	**Tax expenses/ (benefits)**	**Net-of-tax amount**
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instrument at FVOCI	435	—	435

	Six months ended 30 June 2022		
	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	59	—	59

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 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 And 1 January 2022	28,298	6,555	16,911	2,992	708	—	55,464
Additions	—	—	907	10	—	1,330	2,247
Disposal	—	—	(46)	(73)	—	—	(119)
At 30 June 2022	28,298	6,555	17,772	2,929	708	1,330	57,592
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 *(Note (i))*	(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)

	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*
At 31 December 2021	2,718	4,303	3,439	1,548	503	—	12,511
Provided for the period	391	279	841	252	38	—	1,801
Eliminated on disposals	—	—	(11)	(56)	—	—	(67)
At 30 June 2022	3,109	4,582	4,269	1,744	541	—	14,245
Net book value							
At 30 June 2022	25,189	1,973	13,503	1,185	167	1,330	43,347
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

Notes:

(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 terminated the lease with the related party and used by the Group for its own operation.

At 31 December 2019, 2020 and 2021 and 30 June 2022, the Group's buildings with an aggregate carrying amount of approximately RMB20,413,000, RMB20,076,000 and RMB25,580,000 and RMB25,189,000 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 and RMB1,330,000 as at 31 December 2020 and 30 June 2022 respectively, which were under construction started depreciated when the properties were 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.

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
Depreciation for the period	(69)	(42)	—	(111)
At 30 June 2022	6,157	42	—	6,199

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 31 December 2022. The rental agreements are made for a fixed period from 14 months to 24 months which do not impose any restriction or covenant.

At 31 December 2019, 2020 and 2021 and 30 June 2022, the Group's land use right with an aggregate carrying amounts of approximately RMB5,902,000, RMB5,776,000 and RMB6,226,000 and RMB6,157,000 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:

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	—	2,185	2,020	84
Addition	8,867	—	—	—
Offset with net investment in subleases	(6,721)	—	—	—
Early termination of leases	—	—	(1,782)	—
Interest expense	165	173	162	1
Lease payments	(126)	(422)	(400)	(43)
Effect of lease modification	—	84	84	—
At the end of the year/period	2,185	2,020	84	42

The total future minimum lease payments under non-cancellable leases and the reconciliation to the lease liabilities recognised in the consolidated statements of financial position are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Minimum future lease payments				
— Within one year	422	398	86	43
— 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	43
Less: Future finance charge	(1,050)	(879)	(2)	(1)
Present value of minimum lease payments	2,185	2,020	84	42
Initial period of the leases	14-120 months	14-120 months	12 months	12 months

The present value of future lease payments are analysed as:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	249	238	84	42
Non-current	1,936	1,782	—	—
	2,185	2,020	84	42
Aggregate undiscounted commitments for short term leases	—	48	48	68

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			As at 30 June
	2019	2020	2021	2022
	RMB'000	*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	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 *(Note 15)*	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 and 30 June 2022	—

Investment property was 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 1 October 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 each reporting 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 Track Record Period.

During the year ended 31 December 2021, the investment properties was reclassified as owner occupied property, because it was 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 property to fair value and recognised a gain of RMB1,110,000 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 each reporting period.

21. GOODWILL

	RMB'000
Gross carrying amount	
At 1 January 2019, 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022	269
Accumulated impairment losses	
At 1 January 2019, 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022	—
Net carrying amount	
At 31 December 2019	269
At 31 December 2020	269
At 31 December 2021	269
At 30 June 2022	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 2.0%-2.5% throughout the Track Record Period.

	At 31 December			**At 30 June**
	2019	**2020**	**2021**	**2022**
Pre-tax discount rate	16.1%	14.8%	15.3%	13.7%
Revenue growth rate within the five year	2.9% to 5.6%	3.0% to 5.0%	3.0% to 4.0%	3.0% to 4.0%
Terminal growth rate	2.5%	2.5%	2.0%	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.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom was as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Headroom	197,605	125,358	195,352	194,666

The management performed the sensitivity analysis based on the abovementioned key assumptions have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pre-tax discount rate increased by 5%	184,345	119,459	182,785	180,269
Revenue growth rate within the five year decreased by 5%	195,719	121,183	190,927	189,310
Terminal growth rate decreased by 5%	195,961	124,561	194,115	193,035

Management has also concluded that there is no reasonably possible change to a key assumption used in determining recoverable amount that would cause the CGU's carrying amount to exceed its recoverable amount.

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
At 31 December 2019, 2020, 2021 and 30 June 2022	149	1,800	1,949
Accumulated 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
Amortisation	4	161	165
At 30 June 2022	144	1,282	1,426
Net book value			
As at 31 December 2019	59	1,399	1,458
As at 31 December 2020	34	1,039	1,073
As at 31 December 2021	9	679	688
As at 30 June 2022	5	518	523

23. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity instrument in an unlisted company measured at FVOCI *(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	1,180

The following table presents the changes in investment in Jiangxi Gannong for the years ended 31 December 2019, 2020, 2021 and for the six months ended 30 June 2022.

	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
Change in fair value	59
At 30 June 2022	1,180

Note: The equity investment of 0.5% in a state owned enterprise located in the PRC was irrevocably designated at FVOCI 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
Credited/(charged) to profit or loss for the period	(42)	24	13	(26)	—	1	17	—	(13)
At 30 June 2022	769	87	76	—	—	199	(527)	—	604

The deductible temporary differences and unused tax losses were not recognised in the consolidated 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, reversal of RMB535,000 for the year ended 31 December 2020, accrual of RMB31,000 for the year ended 31 December 2021 and reversal of RMB42,000 for the six months ended 30 June 2022 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			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses will expire in 2023	293	293	293	293
Tax losses will expire in 2024	—	—	—	—
Tax losses will expire in 2025	—	1	1	1
Tax losses will expire in 2026	—	—	—	—
Tax losses will expire in 2027	—	—	—	—
	293	294	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			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	46,739	62,495	59,598	53,499
Finished goods	12,678	33,700	44,632	42,290
Finished goods — purchased merchandise	3,655	2,053	2,400	1,399
	63,072	98,248	106,630	97,188
Less: Provision for write-down	(627)	—	(171)	—
	62,445	98,248	106,459	97,188

26. TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	76,143	53,640	63,507	62,684
Less: Provision for impairment loss recognised	(1,799)	(1,245)	(344)	(342)
	74,344	52,395	63,163	62,342

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 and 30 June 2022, the Group's trade receivables with an aggregate carrying amounts of approximately RMB5,003,000, nil and nil, 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 reporting period is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	53,185	41,315	37,657	46,356
1 to 2 months	17,860	11,985	25,510	15,988
2 to 3 months	4,453	—	—	—
3 months to 1 year	—	—	—	—
Over 1 year	645	340	340	340
	76,143	53,640	63,507	62,684

Movement on the Group's provision for impairment on trade receivables are as follows:

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,653	1,799	1,245	344
Provision/(reversal) of impairment loss, net	146	(554)	(901)	(2)
At the end of the year/period	1,799	1,245	344	342

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			As at 30 June
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current					
Prepayments		373	656	521	278
Value added tax recoverable		19	141	1,275	384
Deposit		422	348	336	226
Other receivables		8,901	11,279	10,040	14,935
Deferred **[REDACTED]**		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Payment in advance to suppliers		26,867	658	—	—
		37,828	15,679	15,356	19,921
Less: Provision for impairment loss recognised	*b*	(74)	(48)	(56)	(210)
		37,754	15,631	15,300	19,711
Non-current					
Deposit and other receivables		1,392	557	—	—
	a	39,146	16,188	15,300	19,711

Notes:

(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 carrying amount of deposits and other receivables and the related impairment provision as at 31 December 2019, 2020 and 2021 and 30 June 2022 were as follow:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables, at gross	10,715	12,184	10,376	15,161
Less: Provision for impairment loss recognised	(74)	(48)	(56)	(210)
Deposits and other receivables, at net	10,641	12,136	10,320	14,951

The movement of provision was as follow:

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	278	74	48	56
Provision/(reversal) of impairment loss, net	(204)	(26)	8	154
At the end of the year/period	74	48	56	210

28. RIGHT OF RETURN ASSETS

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right of return assets	976	767	818	918

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 (50/90 days, depending on the terms stated in contract). The Group uses its accumulated historical experience to estimate the 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			As at 30 June
		2019	2020	2021	2022
	Notes	*RMB'000*	*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	—	—
Nanchang Leishi Training School ("**Leishi Training**") (南昌雷式培訓學校)	*(a, b, d)*	—	—	—	34

Notes:

(a) Huaheng and Leishi Training are controlled by Mr. Wu Bangjun and Mr. Lei Junfeng respectively who are the key management personnel of the Company.

(b) At 31 December 2019 and 2020 and 30 June 2022, 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 and 2020 and nil for the year ended 31 December 2021 and the six months ended 30 June 2022 as disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622).

(d) The maximum balance outstanding due from Leishi Training is RMB34,000 for the six months ended 30 June 2022 as disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622).

30. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	41,136	142,338	127,321	138,195

* *English name of this company is translated directly from its corresponding official Chinese name.*

Cash and cash equivalents are denominated in RMB and 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.

31. TRADE PAYABLES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(Note)*	24,774	52,390	42,511	61,448

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			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within six months	24,121	52,390	42,511	61,448
Six months to 1 year	653	—	—	—
Over 1 year	—	—	—	—
	24,774	52,390	42,511	61,448

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			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Other payables	3,491	2,816	1,855	1,643
Accruals	13,717	10,979	12,525	14,304
Deferred revenue	251	251	—	—
	17,459	14,046	14,380	15,947
Non-current				
Deferred revenue	2,005	1,755	—	—
	19,464	15,801	14,380	15,947

33. CONTRACT LIABILITIES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities arising from sale of dried delicacies, snacks, dried aquatic products, grains and seasonings and others	450	290	593	1,709

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of dried delicacies, 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:

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As beginning of the year/period	259	450	290	593
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(259)	(450)	(290)	(593)
Increase in contract liabilities as a result of advanced consideration received from customers	450	290	593	1,709
At end of the year/period	450	290	593	1,709

34. BORROWINGS

	Notes	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 30 June 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current					
Bank borrowings — secured	*a, b*	80,050	97,640	66,114	55,019
Other borrowings — unsecured	*c*	—	—	20,000	—
Provision of interest expense		922	946	919	—
		80,972	98,586	87,033	55,019
Non-current					
Bank borrowings — secured	*b*	3,673	—	3,626	2,627
Other borrowings — unsecured	*c*	20,000	20,000	—	—
		23,673	20,000	3,626	2,627
Total borrowings		104,645	118,586	90,659	57,646

Notes:

(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, RMB25,580,000 and RMB25,189,000 at 31 December 2019, 2020 and 2021 and 30 June 2022 respectively;

(ii) land use right under right-of-use assets (Note 19) amounted to RMB5,902,000, RMB5,776,000, RMB6,226,000 and RMB6,157,000 at 31 December 2019, 2020 and 2021 and 30 June 2022 respectively;

(iii) Investment property (Note 20) amounted to RMB5,430,000, RMB5,590,000, nil and nil at 31 December 2019, 2020 and 2021 and 30 June 2022 respectively;

(iv) trade receivables (Note 26) amounted to RMB5,003,000, nil, nil and nil at 31 December 2019, 2020 and 2021 and 30 June 2022 respectively;

(v) corporate guarantee given by the Group's shareholders, related companies controlled by shareholders and other non-related third parties;

(vi) personal guarantee given by the Group's director, Mr. Yang, director of subsidiary — 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 (Note 40);

(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., 4.35% to 8.5% p.a. and 4.35% to 7.92% p.a. at 31 December 2019, 2020 and 2021 and 30 June 2022 respectively.

(c) As at 31 December 2019, 2020 and 2021 and 30 June 2022, other borrowings of RMB20,000,000, RMB20,000,000, nil 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., 8.5% p.a. and nil at 31 December 2019, 2020 and 2021 and 30 June 2022 respectively.

(d) The personal or corporate guarantee provided by the Personal or the Corporate Guarantors (as defined in the document) will be released upon **[REDACTED]** and replaced by corporate guarantee given by the Company or its subsidiaries.

At the end of each reporting period, total current and non-current borrowings were scheduled to be repaid as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
Within one year	80,169	97,760	66,141	55,019
More than one year, but not exceeding two years	3,673	—	2,026	2,086
More than two years, but not exceeding five years	—	—	1,600	541
	83,842	97,760	69,767	57,646
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	57,646

35. AMOUNTS DUE FROM/(TO) SHAREHOLDERS - THE GROUP AND THE COMPANY

The Group and The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from shareholders				
Shengyao Investment Group Limited	—	109	109	109
Trendy Peak International Limited	—	59	59	59
Pluto Universal Holdings Limited	—	24	24	24
Best Talent Venture Holdings Limited	—	31	31	31
Mass Jovial Group Limited	—	15	15	15
Prosperous Season Group Limited	—	53	53	53
Chang Nan Financial Control Limited	—	29	29	29
Cheerly Success Investment Group Limited	—	6	6	6
Vantage Link Investments Limited	—	17	17	17
	—	343	343	343

The Group

	2019	2020	2021	2022
Amount 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 and will be settled prior to the **[REDACTED]**.

36. SHARE CAPITAL

	Number	Amount	Amount
		US$'000	*RMB'000*
Ordinary shares of par value of US$1 each			
Authorised			
On 30 June 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, 31 December 2021 and 30 June 2022	100,000	100	715
Issued and fully paid			
On 30 June 2020 (date of incorporation) *(Note a)*	50,000	50	354
Issue of shares *(Note c)*	2,632	3	18
As at 31 December 2020, 31 December 2021 and 30 June 2022	52,632	53	372

Notes:

(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 30 June 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 consolidated statements of changes in equity.

(b) The Company

The movement in the reserves of the Company from 30 June 2020 (date of incorporation) to 30 June 2022 is presented below:

	Retained earnings/ (accumulated losses)
	RMB'000
As at 30 June 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)
Loss for the period	(90)
As at 30 June 2022	(204)

(c) The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Capital reserve	It represents capital injection in excess of registered capital.
Statutory reserve	In accordance with the relevant PRC laws and regulations and the articles of association, the PRC subsidiaries are 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.
Property revaluation reserve	It represents gains/losses arising on revaluation of property on transfer to investment property
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.
FVOCI reserve (non-recycling)	It represents cumulative net change in the fair value of equity investment designated at FVOCI under HKFRS 9 that are held at the end of each reporting period.
Retained earnings/(accumulated losses)	It represents cumulative net profit and loss recognised in the statement of profit and loss.

38. INTEREST IN A SUBSIDIARY

The Company

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investment, at cost	363	363	363

Particulars of the directly and indirectly held subsidiaries of the Company are set out in Note 1(b) of this report.

39. DISPOSAL OF A SUBSIDIARY

On 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 related party transactions as disclosed in Notes 18 and 29 in this Historical Financial Information, the Group had the following significant transactions with related parties during the Track Record Period:

			For the years ended 31 December			Six months end 30 June	
Name of related parties	Nature of transaction	*Note*	2019	2020	2021	2021	2022
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
南昌市雷式學校 (Nanchang Leishi School*) ("**Leishi School**")	Sales of finished goods	(i)	70	211	338	57	153
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	173	88
南昌市雷式幼兒園有限公司 (Nanchang Leishi Kindergarten Co., Ltd*) ("**Leishi Kindergarten**")	Sales of finished goods	(i)	—	—	—	—	13
楊白瓊 ("**Yang Baiqiong**")	Sales of finished goods	(ii)	55	3	—	—	—
Huaheng	Rental income	(iii)	110	220	184	55	—

Notes:

(i) Leishi School, Leishi Extracurricular Training, Leishi Training and Leishi Kindergarten are controlled by Mr. Lei Junfeng, who is 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) Huaheng is controlled by Mr. Wu Bangjun who is a 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/(to) 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 and financial assets at FVOCI. Principal financial liabilities of the Group include trade payables, other payables, borrowings, amount due to shareholder 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 reporting 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, 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 provide 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 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 and 30 June 2022:

	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
As at 30 June 2022						
Expected loss rate	0.01%	0.05%	0.24%	8.96%	100%	
Gross carrying amount	62,344	—	—	—	340	62,684
Loss allowance provision	2	—	—	—	340	342

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 recognised during the Track Record Period.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, 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			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Five largest customers	69,928	49,772	58,952	55,785

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 each reporting 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	17,208	17,208	17,208	—	—	—
Borrowings	5.22%–11.00%	104,645	110,196	82,499	4,180	23,517	—
Lease Liabilities	3.86%–8.52%	2,185	3,235	422	313	938	1,562
		148,812	155,413	124,903	4,493	24,455	1,562
As at 31 December 2020							
Trade payables	N/A	52,390	52,390	52,390	—	—	—
Other payables and accruals	N/A	13,795	13,795	13,795	—	—	—
Borrowings	3.25%–9.72%	118,586	121,581	99,791	21,790	—	—
Lease Liabilities	3.86%–8.52%	2,020	2,899	398	313	938	1,250
Amount due to a shareholder	N/A	9	9	9	—	—	—
		186,800	190,674	166,383	22,103	938	1,250
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	92,329	88,508	2,184	1,637	—
Lease Liabilities	3.86%–8.52%	84	86	86	—	—	—
Amount due to a shareholder	N/A	9	9	9	—	—	—
		147,643	149,315	145,494	2,184	1,637	—
As at 30 June 2022							
Trade payables	N/A	61,448	61,448	61,448	—	—	—
Other payables and accruals	N/A	15,947	15,947	15,947	—	—	—
Borrowings	4.35%–7.92%	57,646	59,531	56,802	2,184	545	—
Lease Liabilities	3.86%–8.52%	42	43	43	—	—	—
		135,083	136,969	134,240	2,184	545	—

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value or future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing cash flows interest rate risk, and fixed interest rate instruments will result in the Group facing 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 and 30 June 2022, 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 earnings (through the impact on the Group's bank borrowings which are subject to floating interest rate) by approximately RMB46,000, RMB30,000, RMB27,000 and RMB24,000 respectively. No impact would be on other components of consolidated 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			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total debt	106,830	120,606	90,743	57,688
Equity attributable to the owners of the Company	109,109	163,132	211,636	232,564
Total debt and equity	215,939	283,738	302,379	290,252
Gearing ratio	49%	43%	30%	20%

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVOCI — non-current				
Financial asset at FVOCI	1,355	909	1,121	1,180
Financial assets at amortised cost — non-current				
Deposits and other receivables	1,392	557	—	—
	2,747	1,466	1,121	1,180

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost — current				
Trade receivables	74,344	52,395	63,163	62,342
Deposits and other receivables	9,249	11,579	10,320	14,951
Amount due from a related party	58	58	—	34
Amounts due from shareholders	—	343	343	343
Cash and cash equivalents	41,136	142,338	127,321	138,195
	124,787	206,713	201,147	215,865
	127,534	208,179	202,268	217,045
Financial liabilities				
Financial liabilities at amortised costs — current				
Trade payables	24,774	52,390	42,511	61,448
Other payables and accruals	17,208	13,795	14,380	15,947
Amount due to a shareholder	—	9	9	—
Borrowings	80,972	98,586	87,033	55,019
Lease liabilities	249	238	84	42
	123,203	165,018	144,017	132,456
Financial liabilities at amortised costs — non-current				
Borrowings	23,673	20,000	3,626	2,627
Lease liabilities	1,936	1,782	—	—
Other payables	—	—	—	—
	25,609	21,782	3,626	2,627
	148,812	186,800	147,643	135,083

(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, trade payables, other payables and accruals approximates fair value.

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2019, 2020 and 2021 and 30 June 2022.

(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 rely on the trading multiples of publicly traded guideline companies of similar industry in Jiangxi and uses data generated by actual market transaction.

Significant unobservable inputs used in the fair value measurement are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
Median of Price-To-Book Ratio	1.0	0.6	0.9	0.9
Discount for lack of marketability	20.6%	20.6%	20.6%	20.6%

If the median of price-to-book ratio changed by 5%, 5%, 5% and 5% for the years ended 31 December 2019, 2020 and 2021 and 30 June 2022 would increase/decrease the fair value of investment in Jiangxi Gannong by approximately RMB68,000, RMB45,000, RMB56,000 and RMB59,000 respectively.

There were no changes in valuation techniques during the Track Record Period.

43. CAPITAL COMMITMENTS

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitments for the acquisition of property, plant and equipment:				
Contracted but not provided for.	—	—	—	570

44. SUBSEQUENT EVENTS

On 18 July 2022, an independent party (the "**Introducer**") brought a lawsuit against the subsidiaries and certain shareholders of the Company (i.e. one of the subsidiary being the purchaser (the "**Purchaser**") and the subsidiaries and certain shareholders being the guarantors (the "**Guarantors**")) in respect of a procurement agreement entered into between the Purchaser, the Introducer and an independent supplier (the "**Supplier**") on 25 May 2022, to recover the advance payment of RMB4,095,000 (the "**Advance Payment**") paid by the Introducer to the Supplier with capital occupancy costs accrued at an annualized interest rate of 15%.

On 28 July 2022, the parties voluntarily reached an agreement pursuant to the civil mediation letter issued by the court, amongst others, for the Supplier to return the Advance Payment to the Introducer, waive the capital occupancy costs and pay the relevant legal costs. The court issued a case closure notice on 13 September 2022, confirming that the case has been duly completed.

Save as disclosed above, there are no other significant events which took place subsequent to 30 June 2022.

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 30 June 2022.

[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 16 December 2022. 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 any of the Directors, senior management or substantial shareholders, or that 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 any of the Directors, senior management or substantial shareholders, or that of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors, senior management or substantial shareholders 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 (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of 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 14 July 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 16 December 2022, 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$0.01 each to US$**[REDACTED]** divided into **[REDACTED]** Shares of a par value of US$0.01 each by the creation of an additional **[REDACTED]** new 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 16 December 2022" 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$**[REDACTED]** divided into **[REDACTED]** Shares and the issued share capital of our Company will be US$**[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 16 December 2022", 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 16 December 2022

Pursuant to the resolutions in writing passed by our Shareholders on 16 December 2022:

(a) our Company approved and adopted the Memorandum and Articles of Association with immediate effect;

(b) conditional upon (i) the **[REDACTED]** granting the **[REDACTED]** of, and permission to **[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]** and the **[REDACTED]** (for themselves 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 to the persons whose names appear on the register of members of the Company at the close of business on the date of these resolutions in accordance with their respective shareholding (as nearly as possible without involving fractions) in the Company 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 permission to **[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 16 December 2022, 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) an investment agreement dated 29 April 2019 entered into by Jiangxi Zhengwei, Mr. Su and Mr. Yang, pursuant to which Mr. Su agreed to contribute RMB13,157,895 to Jiangxi Zhengwei ("**Mr. Su's Investment Agreement**");

(2) an investment agreement dated 7 May 2019 entered into by Jiangxi Zhengwei, Mr. Lei and Mr. Yang, pursuant to which Mr. Lei agreed to contribute RMB20,033,193.72 to Jiangxi Zhengwei ("**Mr. Lei's Investment Agreement**");

(3) a capital increase and share expansion agreement dated 25 December 2019 entered into by Jiangxi Zhengwei and Mr. Lei to confirm the capital contribution arrangement under Mr. Lei's Investment Agreement ("**Mr. Lei's Capital Increase Agreement**");

(4) a capital increase agreement dated 27 September 2020 entered into by Jiangxi Zhengwei and Mr. Su to confirm the capital contribution arrangement under Mr. Su's Investment Agreement ("**Mr. Su's Investment Agreement**");

(5) a supplemental agreement to Mr. Su's Investment Agreement and Mr. Su' Capital Increase Agreement dated 22 December 2022 entered into by Mr. Su, Vantage Link, Jiangxi Zhengwei and the Company, pursuant to which, Mr. Su and Vantage Link agreed that they will not, whether directly or indirectly, at any time during the period of twelve months following the **[REDACTED]**, dispose of any of the Shares directly or indirectly held by them;

(6) a supplemental agreement to Mr. Lei's Investment Agreement and Mr. Lei's Capital Increase Agreement dated 22 December 2022 entered into by Mr. Lei, Pluto Universal, Jiangxi Zhengwei and the Company, pursuant to which, Mr. Lei and Pluto Universal

agreed that they will not, whether directly or indirectly, at any time during the period of twelve months following the **[REDACTED]**, dispose of any of the Shares directly or indirectly held by them;

(7) a deed of lock-up undertaking dated 22 December 2022 entered into by Li Hui, Wu Bangjun, Luo Zikang, Best Talent in favour of the Company, pursuant to which, all of them agreed that they will not, whether directly or indirectly, at any time during the period of twelve months following the **[REDACTED]**, dispose of any of the Shares directly or indirectly held by them;

(8) a deed of lock-up undertaking dated 22 December 2022 entered into by Changnan Fund, Chang Nan Financial in favour of the Company, pursuant to which, they agreed that they will not, whether directly or indirectly, at any time during the period of twelve months following the **[REDACTED]**, dispose of any of the Shares directly or indirectly held by them;

(9) a deed of lock-up undertaking dated 22 December 2022 entered into by Zhao Wenjun, Zheng Yongrong, Mr. Lan, Mass Jovial in favour of the Company, pursuant to which, they agreed that they will not, whether directly or indirectly, at any time during the period of twelve months following the **[REDACTED]**, dispose of any of the Shares directly or indirectly held by them;

(10) a deed of lock-up undertaking dated 22 December 2022 entered into by Fuzhou Digital Economy, Cheerly Success in favour of the Company, pursuant to which, they agreed that they will not, whether directly or indirectly, at any time during the period of twelve months following the **[REDACTED]**, dispose of any of the Shares directly or indirectly held by them;

(11) the Deed of Indemnity;

(12) the Deed of Non-competition; and

(13) 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
8		29	Jiangxi Zhengwei	PRC	10818927	20 July 2023

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date/renewal date
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RFID設備)	Jiangxi Zhengwei	ZL202220315564.4	PRC	Utility model	16 February 2022 to 15 February 2032
14	A Device for Detecting Microorganisms in Food (一種食品微生物檢測裝置)	Jiangxi Zhengwei	ZL202220489933.1	PRC	Utility model	8 March 2022 to 7 March 2032
15	An Internet-based Device for Traceability of Food Raw Materials (一種基於互聯網的食品原料溯源設備) . . .	Jiangxi Zhengwei	ZL202220470538.9	PRC	Utility model	4 March 2022 to 3 March 2032

No.	Patent	Patentee(s)	Registration no.	Place of application	Patent type	Term
16	A Stirring Device for Pretreatment of Food Testing Samples (一種食品檢測樣品預處理用攪拌裝置)	Jiangxi Zhengwei	ZL202220589714.0	PRC	Utility model	17 March 2022 to 16 March 2032
17	A Quantitative Feeding Device for Lotus Seed Processing Equipment (一種蓮子加工設備用定量進料裝置)	Guangchang Zhenglian	ZL202123081489.4	PRC	Utility model	9 December 2021 to 8 December 2031
18	RFID Card Issuing Device for Food Safety Tracking Systems (食品安全溯源系統的RFID發卡裝置)	Jiangxi Zhengwei	ZL202220338038.X	PRC	Utility model	18 February 2022 to 17 February 2032
19	Tracking and Inventory Management Device for Aquatic Products (水產品的溯源與庫存管理裝置)	Jiangxi Zhengwei	ZL202220344421.6	PRC	Utility model	21 February 2022 to 20 February 2032
20	A Fast Food Inspection Device (一種快捷式食品檢測設備)	Jiangxi Zhengwei	ZL202220511074.1	PRC	Utility model	10 March 2022 to 9 March 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]**

Name of Director	Capacity/Nature of Interest	Number of Shares held/interested	Approximate percentage of shareholding
			(%)
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 16 December 2022 adopted by a resolution of the Board on 16 December 2022 (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 directors and employees of the Group (including persons who are granted Options under the Share Option Scheme as an inducement to enter into employment contracts with the Group) who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the subsidiaries ("**Employee Participant(s)**");

(ii) any directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company, who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries ("**Related Entity Participant(s)**"); and

(iii) the persons who provide services to the Group on a continuing and recurring basis in their ordinary and usual course of business which are, in the sole opinion of the Board, in the interests of the long term growth of the Group ("**Service Providers**", and together with the person referred above are the "**Eligible Persons**", and each an "**Eligible Person**").

(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;

(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; and

(iv) subject to (iii) above, within the Scheme Mandate Limit, the total number of Shares which may be issued upon exercise of all options to be granted to Service Providers shall not exceed 1% of the total number of Shares in issue on the Adoption Date.

(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 an independent non-executive Director of our Company or a substantial shareholder (as defined in the Listing Rules), 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 representing in aggregate over 0.1% of the relevant class of securities in issue, 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]** 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 Listing 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 consolidated 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 consolidated 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	Licenced 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
BDO China SHU LUN PAN Certified Public Accountants LLP Branch of Fujian	Internal control 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 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 consolidated financial statements of our Group for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022;

(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 internal control report prepared by BDO China;

(j) 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;

(k) 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;

(l) 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

(m) the Companies Act.