

SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a leading and rapidly growing pantry staple food company in China, enjoying a robust omnichannel brand presence. Since our inception, we have been dedicated to providing our consumers with pre-packaged premium rice, whole grain, bean, and dried food products. By maintaining omnichannel sales coverage and addressing evolving consumer needs, we have achieved a strong sales growth during the Track Record Period and established a range of household brands for Chinese families. According to Frost & Sullivan, we were the largest company by revenue in each of China’s pre-packaged premium rice market and China’s pre-packaged whole grain, bean and seed market in 2022. Furthermore, among the top five players by revenue in China’s pantry staple food market, we were the fastest-growing company by revenue CAGR from 2020 to 2022, according to the same source.

Committed to our tenet of providing products of diversified categories with “excellent taste from renowned origin (口感好, 糧源優),” we aspire to offer our consumers convenient and delightful experiences. Northeast China is reputable for its unique natural environment and geographic conditions, and generally regarded by consumers as a prominent grain production region in China. As such, we have established a comprehensive and efficient supply chain system in Northeast China, encompassing all critical stages along the value chain from procurement, storage, production, sales, and logistics. According to Frost & Sullivan, we have been the largest company by revenue in China’s pre-packaged Northeast Rice retail market for four consecutive years from 2019 to 2022.

We have successfully established our flagship brands, namely Shiyue Daotian (十月稻田) and Firewood Courtyard (柴火大院), and introduced a range of products with various specifications to address consumer needs. According to the Frost & Sullivan 2022 Survey, Shiyue Daotian and Firewood Courtyard are among the most recognized brands in China’s rice, whole grain, bean and seed market, with Shiyue Daotian ranking highest for product experience, repurchase intention and willingness to recommend. Our brand recognition and popularity have earned us numerous awards and honors, specifically:

- for each year from 2019 to 2022, we have been the largest company on comprehensive e-commerce platforms, such as JD.com and Tmall, in terms of the revenue generated from sales of rice, whole grain, bean and seed products, with a 14.2% market share in 2022, which is 2.7 times that of the second-largest company, according to Frost & Sullivan;
- for each year from 2019 to 2022, our flagship brands, Shiyue Daotian and Firewood Courtyard, have consistently ranked in the top two positions on comprehensive e-commerce platforms in terms of revenue generated from sales of rice, whole grain and bean and seed products, according to Frost & Sullivan; and
- Shiyue Daotian has been recognized as “Best Partner of 2022 (2022年度最佳合作夥伴)” by JD Supermarket and “A Hundred Million Club – Super Brand of 2022 (超棒品牌億元俱樂部)” by Tmall Supermarket.

Leveraging our deep insights in consumer needs, vertically integrated operation model, strategic layout of production bases in renowned places of origin for grains, and an omnichannel sales network, our brands remain popular among consumers in China. Through our persistent delivery of the core values of “providing Chinese consumers with quality, healthy and fresh food products, and convenient and delightful experiences (為中國消費者提供優質、健康、新鮮的食品, 和便捷、愉悅的消費體驗),” we aim to become consumers’ optimum choice and an integral part of their lives, thereby capturing their mindshare with “high brand visibility, convenient purchase experience and emotional resonance (看得見, 買得到, 想得起).”

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We pride ourselves on our strong omnichannel operation capabilities, underpinned by our ability to rapidly replicate valuable experience and expertise from established channels to new ones. We took the initiative to enter comprehensive e-commerce platforms, social e-commerce platforms and community group buying platforms at their early development stages. This strategic initiative has facilitated our swift acquisition of invaluable omnichannel operating experiences. We retain the largest market share by revenue from China's rice, whole grain, bean and seed market in each of such channels in 2022. Our extensive range of premium products spanning diverse categories, coupled with our efficient supply chain management, positions us as a crucial business partner to modern retail channels. We have expanded rapidly in recent years in modern retail channels, achieving a 79.5% CAGR of revenue growth from 2020 to 2022. In 2022, we ranked fourth in the modern retail channels for China's rice, whole grain, bean and seed industry in terms of revenue, according to Frost & Sullivan. Leveraging our nationwide omnichannel sales network, we are able to integrate online and offline sales operations to gain insights into consumer needs from an extensive amount of consumer feedback. We believe this has distinguished us from our competitors, by informing our product development and marketing efforts for the future.

According to Frost & Sullivan, the total market size of China's rice, whole grain, bean and seed market amounted to RMB1,073.7 billion in 2022, representing 57.7% of China's pantry staple food market, which had a market size of approximately RMB1.9 trillion, and is expected to reach RMB1,265.0 billion by 2027. With the continuously improving living standards of Chinese consumers, the premium subsegments are expected to grow at a faster rate than China's overall rice, whole grain, bean and seed market. For instance, according to Frost & Sullivan, the market size of China's pre-packaged premium rice market, as a percentage of China's overall pre-packaged rice market, has grown from 43.2% in 2018 to 50.4% in 2022, and is expected to grow to 55.7% in 2027. Meanwhile, there is a growing trend towards favoring branded rice, whole grain, bean and dried food products and more convenient purchase methods, benefiting the development of companies with competitive brands and advanced omnichannel operations. As a leading pantry staple food company in China, we are well positioned to seize such growth opportunities. We have maintained a strong growth momentum during the Track Record Period. From 2020 to 2022, our revenue increased from RMB2,327.0 million to RMB4,532.9 million, representing a CAGR of 39.6%. We recorded an adjusted net profit of RMB364.0 million in 2022.

OUR STRENGTHS

We believe that the following strengths contribute to our leading market position, ensuring our success and distinguishing us from our competitors:

- A leading pantry staple food company in China positioned for strong growth
- Multiple household brands with compelling product offerings
- Omnichannel sales network with a nationwide reach
- Industry-leading branding and marketing capabilities
- A strategic layout in five core grain production areas of China
- Outstanding supply chain management and quality control systems
- A visionary management team with excellent execution abilities

OUR STRATEGIES

In order to achieve our goals, we have formulated the following strategies:

- Enrich our multi-brand portfolio and enhance our brand awareness to solidify our leading position
- Broaden and deepen our omnichannel network to enlarge our consumer base with high operational efficiency

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- Expand multi-category product offerings to achieve sustainable growth
- Strengthen our “from farm to table” supply chain management capabilities to build integrated operation barriers
- Keep optimizing digitalized operation system, investing in talent pool and fostering cohesive corporate culture

OUR BRANDS AND PRODUCTS

Following our persistent efforts for more than a decade, we have successfully established and been operating three major brands, namely Shiyue Daotian, Firewood Courtyard and Sunshine Family (福享人家).

- **Shiyue Daotian**
(十月稻田) Launched in 2011, Shiyue Daotian is positioned as a multi-category pantry staple food brand with a focus on meeting needs of consumers in the mass market.
- **Firewood Courtyard**
(柴火大院) Launched in 2011, Firewood Courtyard is positioned to capture the mid-to-high-end market.
- **Sunshine Family**
(福享人家) Launched in 2018, Sunshine Family is dedicated to offering value-for-money rice products to Chinese families.

Under our diverse brand portfolio, we also create comprehensive and complementary product offerings that strategically focus on different price ranges, sales channels, product categories and packaging styles. Thus, we are able to reach a broad consumer group and enhance consumers’ needs for our products. In 2022, we had eight SKUs with an annual revenue of over RMB100 million, and two out of such eight SKUs were launched after 2021.

We primarily offer three categories of products:

- **Rice products.** Our rice products mainly include pre-packaged rice products of different varieties, such as Daoxiang rice (稻香米), long grain rice (长粒香大米) and Komachi rice (小町米).
- **Whole grain, bean and other products.** Our whole grain and bean products mainly include pre-packaged mixed brown rice, millet, red bean and sesame. Other products under this category primarily refer to seed and corn products.
- **Dried food and other products.** Our dried food products mainly include pre-packaged wood ear mushrooms, snow fungus mushroom and lotus seeds. Other products under this category mainly include by-products, such as bran, husk and fractioned rice.

The table below sets forth a breakdown of our revenue by product category for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%
Rice products	1,871,439	80.4	2,891,598	80.4	3,621,740	79.9
Whole grain, bean and other products	367,343	15.8	471,941	13.1	523,232	11.5
Dried food and other products	88,226	3.8	234,712	6.5	387,948	8.6
Total	2,327,008	100.0	3,598,251	100.0	4,532,920	100.0

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For details of our brand portfolio and product offerings, see “Business – Our Brands and Products.”

OUR OMNICHANNEL SALES NETWORK

We have built an extensive and diverse omnichannel sales network to reach a wide range of consumers, enhance our brand reputation and solidify our competitive advantages. We started building our network from cooperating with online channels. We were the largest company in China’s rice, whole grain, bean and seed market in terms of revenue generated from sales through online channels in 2022, representing a market share of 10.7%, according to Frost & Sullivan. Leveraging our competitive advantages on online channels, we have further deepened our sales channel penetration and established an omnichannel sales network. According to Frost & Sullivan, in terms of revenue in 2022, we ranked fourth in the modern retail channels in China’s rice, whole grain, bean and seed market. We have successfully seized opportunities in emerging channels to further strengthen our competitive edge. In 2020, we began to cooperate with social e-commerce platforms. In the same year, we also started partnering with community group buying platforms.

The table below sets forth a breakdown of our revenue by sales channel for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%
Online channels						
– E-commerce platforms	1,585,577	68.1	2,190,615	60.9	2,657,296	58.6
– Online self-operated stores	263,918	11.3	525,966	14.6	486,894	10.7
Modern retail channels	216,060	9.3	403,994	11.2	695,954	15.4
Direct customers⁽¹⁾	157,893	6.8	307,193	8.5	452,010	10.0
Distribution network	103,560	4.5	170,483	4.7	240,766	5.3
Total	<u>2,327,008</u>	<u>100.0</u>	<u>3,598,251</u>	<u>100.0</u>	<u>4,532,920</u>	<u>100.0</u>

Note:

- (1) Direct customers primarily consist of catering companies, agricultural products companies, and other corporate and individual customers.

Our sales prices are set with reference to various factors, including brand positioning, raw material cost, production cost and market competition. Our sales staff regularly monitor product prices on e-commerce platforms, modern retail channel partners, and distributors, so as to review and evaluate our pricing.

For details of our omnichannel sales network, see “Business – Our Omnichannel Sales Network.”

OUR PRODUCTION

In order to offer premium products to our consumers, we procure raw materials from renowned places of origin for grains. As of December 31, 2022, we had established five production bases in proximity to the five core grain production areas in China, namely Shenyang Xinmin production base, Wuchang production base, Songyuan production base, Tonghe production base and Aohan production base. See “Business – Production.”

We constantly optimize our production process, and explore development of production techniques and techniques to maintain the excellent taste and preserve the nutritional value of our products, thus satisfying the preferences of our consumers. Our production process is highly standardized and automated. In addition, we have made substantial investment in purchasing advanced production machinery and equipment. Our production team members work closely to continuously maintain our production machinery and equipment to meet our high production standards and improve our production efficiency.

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RAW MATERIALS, PACKAGING MATERIALS AND MAJOR SUPPLIERS

We aim to bring premium products to consumers by selecting quality raw materials and packaging materials. We plan and manage procurement at a group level, and make procurement decisions based on predicted consumer demands and historical sales performance. Meanwhile, our procurement teams at each production base purchase raw materials by leveraging their deep knowledge of local resources, the process of which is monitored by our Group.

Our procurement schedule is made in adaption to the seasonality of raw materials. For example, we primarily purchase fresh rice from September to year end, which ensures the sufficient supply and the freshness of our raw materials. During the Track Record Period, we had not experienced any significant shortage of our raw materials. Purchases from our five largest suppliers for 2020, 2021 and 2022 accounted for 22.1%, 11.3% and 10.3% of our total purchase amount, respectively. Purchases from our largest suppliers for 2020, 2021 and 2022 accounted for 8.4%, 5.4%, and 4.0% of our total purchase amount, respectively. For details of our raw materials, packaging materials and major suppliers, see “Business – Raw Materials, Packaging Materials and Major Suppliers.”

CUSTOMERS

During the Track Record Period, our customers consisted of corporate customers and individual customers. We usually grant a credit term to our corporate customers by assessing factors such as business relationship and credit background, except for our distributors that need to make full payment before collecting the goods. Revenue generated from our top five customers for 2020, 2021 and 2022 accounted for 73.3%, 58.0% and 55.1% of our total revenue, respectively. Revenue generated from our largest customer for 2020, 2021 and 2022 accounted for 42.3%, 28.1% and 26.9% of our total revenue, respectively. See “Business – Customers.”

FOOD SAFETY AND QUALITY CONTROL

Food safety and product quality is our top priority. We are committed to offering safe and premium food to maintain consumer confidence in our products and strengthen our brand recognition. We have implemented stringent food safety and quality control standards and measures throughout our operations, covering steps from procurement, production and storage to sales. To achieve systematic quality management, our quality assurance team focuses on implementing a group-level quality control plan through the implementation and maintenance of our quality control system, and is responsible for quality inspection of raw materials, semi-finished products and finished products, as well as product shelf-life management.

For details of our food safety and quality control measures, see “Business – Food Safety and Quality Control.”

COMPETITIVE LANDSCAPE

According to Frost & Sullivan, China’s pre-packaged rice, whole grain, bean and seed market is highly fragmented. According to the Frost & Sullivan Report, in terms of revenue in 2022, we ranked fifth among China’s pantry staple food market. In particular, we were the largest company by revenue in each of China’s pre-packaged premium rice market and China’s pre-packaged whole grain, bean and seed market in 2022.

As the leading players continue to increase their market shares, we are faced with increasingly intense competition with other leading players in various aspects of our business, including continuous upgrade of existing products and introduction of new products, channel coverage, product quality, consumer experience as well as customer acquisition and retention. New competitors may emerge from time to time, which may further intensify the competition in China’s pantry staple food industry. For additional information, see “Industry Overview” and “Risk Factors – Risks Relating to Our Business and Industry – We face fierce industry competition and low industry concentration. Failure to compete with other market players may adversely affect our market share and profitability.”

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary historical financial information for the periods or as of the dates indicated. This summary has been derived from our historical financial information set forth in the Accountants' Report in Appendix I to this document. The summary historical financial data set forth below should be read together with, and is qualified in its entirety by reference to, the historical financial information included in the Accountants' Report in Appendix I to this document, including the accompanying notes, and the information set forth in "Financial Information." Our historical financial information was prepared in accordance with IFRS.

Key Items of Consolidated Statements of Profit or Loss

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

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2,327,008	3,598,251	4,532,920
Cost of sales	(1,922,335)	(3,060,713)	(3,753,373)
Gross profit	404,673	537,538	779,547
Selling and distribution expenses	(126,065)	(223,430)	(314,833)
Administrative expenses	(38,778)	(272,475)	(858,250)
Other net income	7,010	49,277	27,403
Impairment losses on trade and other receivables	(368)	(1,356)	(9,698)
Profit/(loss) from operations	246,472	89,554	(375,831)
Finance costs	(20,278)	(10,089)	(3,909)
Changes in the carrying amount of financial instruments issued to investors	(207,342)	(244,748)	(178,596)
Profit/(loss) before taxation	18,852	(165,283)	(558,336)
Income tax	(4,878)	(7,581)	(5,883)
Profit/(loss) and total comprehensive income for the year attributable to equity shareholders of the Company	13,974	(172,864)	(564,219)

See "Financial Information – Description of Major Components of Our Results of Operations."

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted profit from operations (Non-IFRS measure) and adjusted net profit (Non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that the non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items that our management does not consider indicative of our ongoing operating performance. We also believe that the non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted profit from operations (Non-IFRS measure) and adjusted net profit (Non-IFRS measure) may not be comparable to similarly titled measures presented by other

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companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted profit from operations (Non-IFRS measure) as profit from operations adjusted by adding back share-based payments and [REDACTED] expenses, and we define adjusted net profit (Non-IFRS measure) as net profit for the year adjusted by adding back share-based payments, changes in the carrying amount of financial instruments issued to investors and [REDACTED] expenses. The following tables reconcile our adjusted profit from operations (Non-IFRS measure) and adjusted net profit (Non-IFRS measure) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which are profit or loss from operations and net profit or loss for the year:

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of profit/(loss) from operations to adjusted profit from operations (Non-IFRS measure)			
Profit/(loss) from operations	246,472	89,554	(375,831)
<i>Add:</i>			
– Share-based payments ⁽¹⁾	–	187,348	739,569
– [REDACTED] expenses	–	–	10,102
	246,472	276,902	373,840

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of net profit/(loss) to adjusted net profit (Non-IFRS measure)			
Net profit/(loss) for the year	13,974	(172,864)	(564,219)
<i>Add:</i>			
– Changes in the carrying amount of financial instruments issued to investors ⁽²⁾	207,342	244,748	178,596
– Share-based payments ⁽¹⁾	–	187,348	739,569
– [REDACTED] expenses	–	–	10,102
	221,316	259,232	364,048

Notes:

- (1) Share-based payments, representing (i) share awards of RMB691.0 million in 2022, which represented paid-in capital granted to Mr. Wang and Ms. Zhao, see Note 26(a) of Appendix I to this document; and (ii) transfers of paid-in capital among the equity shareholders of RMB187.3 million in 2021 and RMB48.6 million in 2022, which were related to investors of Series B financing in 2021 and Series C financing in 2022, see Note 22(a) and Note 26(b) of Appendix I to this document. See “Financial Information – Description of Major Components of Our Results of Operations – Administrative Expenses.”
- (2) Changes in the carrying amount of financial instruments issued to investors were primarily related to financial instruments granted to certain investors of our Series A, Series B and Series C financing. See “Financial Information – Indebtedness – Financial Instruments Issued to Investors.”

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See “Financial Information – Description of Major Components of Our Results of Operations – Non-IFRS Measures.”

Selected Items from the Consolidated Statements of Financial Position

The following table sets out selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	823,935	1,737,342	2,058,147
Non-current assets	311,647	646,810	1,004,405
Total assets	1,135,582	2,384,152	3,062,552
Current liabilities	465,654	251,697	744,856
Non-current liabilities	387,402	1,913,867	2,424,068
Total liabilities	853,056	2,165,564	3,168,924
Net current assets	358,281	1,485,645	1,313,291
Net assets/(liabilities)	282,526	218,588	(106,372)

Our net current assets decreased by 11.6% from RMB1,485.6 million as of December 31, 2021 to RMB1,313.3 million as of December 31, 2022, primarily due to (i) the increase in the bank and other loans; and (ii) the increase in trade and other payables, partially offset by (iii) the increase in our inventories. Our net current assets increased significantly from RMB358.3 million as of December 31, 2020 to RMB1,485.6 million as of December 31, 2021, primarily due to (i) the increase in our inventories; (ii) the increase in trade and other receivables; and (iii) the decrease in bank and other loans. See “Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position” and “Financial Information – Indebtedness.”

Our net assets decreased by 22.6% from RMB282.5 million as of December 31, 2020 to RMB218.6 million as of December 31, 2021, primarily due to (i) the increase in financial instruments issued to investors, partially offset by (ii) the increase in the inventories and (iii) the increase in trade and other receivables. We had net liabilities of RMB106.4 million as of December 31, 2022, compared to net assets of RMB218.6 million as of December 31, 2021, primarily due to (i) the increase in financial instruments issued to investors; (ii) the increase in bank and other loans; and (iii) the increase in trade and other payables, partially offset by (iv) the increase in inventories and (v) the increase in property plant and equipment.

See “Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position” and “Financial Information – Liquidity and Capital Resources – Net Current Assets.”

Summary of the Consolidated Statements of Cash Flows

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	90,235	(495,160)	177,223
Net cash used in investing activities	(197,181)	(361,170)	(316,341)
Net cash generated from financing activities	118,430	940,424	151,263
Net increase in cash and cash equivalents	11,484	84,094	12,145
Cash and cash equivalents at the beginning of the year	12,637	24,121	108,215
Cash and cash equivalents at the end of the year	<u>24,121</u>	<u>108,215</u>	<u>120,360</u>

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See “Financial Information – Liquidity and Capital Resources.”

Key Financial Ratios

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

	Year ended/As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Revenue growth (%)	N/A	54.6	26.0
Gross profit margin (%) ⁽¹⁾	17.4	14.9	17.2
Net profit/(loss) margin (%) ⁽²⁾	0.6	(4.8)	(12.4)
Adjusted net profit margin (non-IFRS measure) ⁽³⁾	9.5	7.2	8.0

Notes:

- (1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.
- (2) Net profit/(loss) margin equals net profit/(loss) for the year divided by revenue and multiplied by 100%.
- (3) Adjusted net profit margin equals adjusted net profit for the year as a non-IFRS measure divided by total revenue and multiplied by 100%.

See “Financial Information – Description of Major Components of Our Results of Operations.”

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors.” You should carefully read that section in its entirety before you decide to invest in our [REDACTED]. Some of the major risks we face include: (i) our success depends on market recognition of our brands. Any damage to our brands or reputation may materially and adversely affect our business, financial condition and results of operations; (ii) our efforts in developing, launching and promoting new brands and products may not be successful, and our new products may not be fully recognized by the market; (iii) we mainly rely on e-commerce platforms to market and sell our products online. If the majority of e-commerce platforms we rely on to sell our products are interrupted or if our cooperation with such platforms terminates, deteriorates or becomes more costly, our business and results of operations may be materially and adversely affected; (iv) we may encounter difficulties in maintaining, expanding or optimizing our sales network; and (v) our marketing activities may not be effective in attracting consumers, or we may incur significant costs on a variety of sales and marketing efforts through multiple channels, which may materially and adversely affect our business, financial condition, and results of operations;

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the [REDACTED] of the Stock Exchange for the granting of the [REDACTED] of, and [REDACTED] our H Shares to be [REDACTED] pursuant to (i) the [REDACTED] (including any H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED]), and (ii) the H Shares to be converted from our existing Domestic [REDACTED] on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue of RMB4,532.9 million (equivalent to approximately HK\$5,203.7 million) in the financial year ended December 31, 2022 exceeds HK\$500 million, and (ii) our expected market capitalization at the time of [REDACTED], which, based on the low-end of the indicative [REDACTED], exceeds HK\$[REDACTED].

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OUR CONTROLLING SHAREHOLDERS GROUP

As of the Latest Practicable Date, Mr. Wang, Ms. Zhao, Shiyue Daotian Enterprise Management, Shiyue Jinfeng, Shiyue Zhongxin and Shenyang Hongsheng (the “**Controlling Shareholders Group**”) are together entitled to control the exercise of 70% of the voting rights of our Company. Immediately following the completion of the [REDACTED], the Controlling Shareholders Group will be together entitled to control the exercise of approximately [REDACTED]% of the voting rights (assuming the [REDACTED] is not exercised) or approximately [REDACTED]% of the voting rights (assuming the [REDACTED] is exercised in full) and thus remain as a group of Controlling Shareholders of our Company. See “Relationship with our Controlling Shareholders Group” for further details.

PRE-[REDACTED] INVESTMENTS

Since our establishment, we have completed several rounds of equity financing in the past few years. See “History, Development and Corporate Structure – Pre-[REDACTED] Investments” for further details.

USE OF [REDACTED]

We estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED], after deducting the [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this document) and assuming that the [REDACTED] is not exercised. We intend to use the net [REDACTED] from the [REDACTED] for the following purposes:

- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to enhance our cooperation with suppliers and strengthen our procurement capability;
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used for expanding our production capacity, upgrading existing production lines, broadening the geographic coverage of our warehousing and logistics, and providing funds for production activities related to our business expansion;
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand our channel coverage and establish our omnichannel sales ecosystem;
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to enhance our brand equity;
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to construct our digital middle platform system, which integrates the full digital chain including IT infrastructure, backend, middleware, frontend and touchpoints, to optimize the support for our business management;
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to repay our bank borrowings; and
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and general corporate purposes.

For details, see “Future Plans and Use of [REDACTED] – Use of [REDACTED].”

RECENT DEVELOPMENT

Our Directors confirmed that, as of the date of this document, save as otherwise disclosed in this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022.

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[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that the [REDACTED] has been completed and [REDACTED] H Shares are issued pursuant to the [REDACTED].

	Based on an [REDACTED] of HK\$[REDACTED] per H Share	Based on an [REDACTED] of HK\$[REDACTED] per H Share
Market capitalization of our Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalization is based on [REDACTED] H Shares expected to be in issue immediately upon completion of the [REDACTED], assuming the [REDACTED] is not exercised.
- (2) The Unaudited [REDACTED] adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in "Financial Information – Unaudited [REDACTED] Statement of Adjusted Net Tangible Assets" and on [REDACTED] H Shares expected to be in issue immediately upon completion of the [REDACTED], assuming the [REDACTED] is not exercised.

DIVIDENDS

We declared and paid RMB50.0 million, nil and RMB200.0 million dividends to the shareholders in 2020, 2021 and 2022, respectively.

We currently intend to adopt, after our [REDACTED], a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 20% of our distributable net profit in the future. Any future declarations and payments of dividends will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which we consider relevant. A decision to declare and pay any dividends would required the approval of the Broad and will be subject to Shareholder's final approval. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital.

[REDACTED] EXPENSES

[REDACTED] expenses consist of professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] expenses of approximately HK\$[REDACTED] (based on the mid-point of the indicative [REDACTED] and assuming the [REDACTED] is not exercised), which accounts for approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. We estimate the [REDACTED] expenses to consist of approximately HK\$[REDACTED] in [REDACTED] fees and HK\$[REDACTED] in [REDACTED] fees. Among of the total [REDACTED] expenses, approximately HK\$[REDACTED] will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the [REDACTED], and the remaining HK\$[REDACTED] will be expensed in our consolidated statements of comprehensive income. Our Directors do not expect such expenses to materially impact our results of operations in 2023.