

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 one of the leading and rapidly growing pantry staple food companies in China. 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 wide 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. 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 Frost & Sullivan.

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.

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. 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.

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 sales network operating experiences. We retained 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 in grocery retail channels. We have expanded rapidly in recent years in grocery retail channels, achieving a 79.5% CAGR of revenue growth from 2020 to 2022. In 2022, we ranked fourth in the grocery retail channels for China’s rice, whole grain, bean and seed industry in terms of revenue, according to Frost & Sullivan. Leveraging our nationwide 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, and will inform our product development and marketing efforts for the future.

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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. According to the same source, 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. 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 operations across different sales channels. 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. Our revenue increased from RMB2,327.0 million in 2020 to RMB4,532.9 million in 2022, representing a CAGR of 39.6%, and increased from RMB910.2 million for the three months ended March 31, 2022 to RMB1,081.5 million for the three months ended March 31, 2023. We recorded an adjusted net profit (*non-IFRS measure*) of RMB364.0 million and RMB77.9 million in 2022 and the three months ended March 31, 2023, respectively. According to Frost & Sullivan, we have been the largest company by revenue in China’s pre-packaged retail market for Northeast Rice products for four consecutive years from 2019 to 2022. According to the same source, we were the largest company by revenue in China’s pre-packaged whole grain, bean and seed market 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
- Multichannel 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
- An experienced 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 multichannel network to enlarge our consumer base with high operational efficiency
- 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

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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 and red bean. 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,						Three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Rice products	1,871,439	80.4	2,891,598	80.4	3,621,740	79.9	735,395	80.8	862,698	79.8
Whole grain, bean and other products	367,343	15.8	471,941	13.1	523,232	11.5	110,432	12.1	130,463	12.1
Dried food and other products	88,226	3.8	234,712	6.5	387,948	8.6	64,341	7.1	88,353	8.1
Total	2,327,008	100.0	3,598,251	100.0	4,532,920	100.0	910,168	100.0	1,081,514	100.0

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The table below sets forth a breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Rice products	285,489	15.3	406,931	14.1	600,824	16.6	122,816	16.7	130,661	15.1
Whole grain, bean and other products	107,553	29.3	102,829	21.8	126,383	24.2	25,418	23.0	34,473	26.4
Dried food and other products	11,631	13.2	27,778	11.8	52,340	13.5	6,268	9.7	10,575	12.0
Total	404,673	17.4	537,538	14.9	779,547	17.2	154,502	17.0	175,709	16.2

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

OUR SALES NETWORK

We have built an extensive and diverse 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 a diverse sales network. According to Frost & Sullivan, in terms of revenue in 2022, we ranked fourth in the grocery 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,						Three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	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	616,986	67.8	677,324	62.6
- Online self-operated stores	263,918	11.3	525,966	14.6	486,894	10.7	80,290	8.8	100,198	9.3
Grocery retail channels	216,060	9.3	403,994	11.2	695,954	15.4	101,858	11.2	128,401	11.9
Direct customers⁽¹⁾	157,893	6.8	307,193	8.5	452,010	10.0	77,854	8.6	110,712	10.2
Distribution network	103,560	4.5	170,483	4.7	240,766	5.3	33,180	3.6	64,879	6.0
Total	2,327,008	100.0	3,598,251	100.0	4,532,920	100.0	910,168	100.0	1,081,514	100.0

Note:

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

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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, grocery retail channel partners, and distributors, so as to review and evaluate our pricing.

For details of our sales network, see “Business – Our 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 March 31, 2023, 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 good 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.

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 paddy 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 in each year or period during the Track Record Period accounted for 22.1%, 18.8%, 13.4% and 23.2% of our total purchase amount for the respective year or period. Purchases from our largest suppliers in each year or period during the Track Record Period accounted for 8.4%, 8.2%, 4.8% and 6.1% of our total purchase amount for the respective year or period. 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 in each year or period during the Track Record Period accounted for 74.5%, 57.4%, 55.0% and 57.6% of our total revenue for the respective year or period. Revenue generated from our largest customer in each year or period during the Track Record Period accounted for 42.3%, 28.1%, 26.9% and 29.5% of our total revenue for the respective year or period. See “Business – Customers.”

FOOD SAFETY AND QUALITY CONTROL

Food safety and product quality is our top priority. 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.

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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 retail market for Northeast Rice products and China’s pre-packaged whole grain, bean and seed market in 2022, according to Frost & Sullivan.

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.”

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 IFRSs.

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 periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Revenue	2,327,008	3,598,251	4,532,920	910,168	1,081,514
Cost of sales	<u>(1,922,335)</u>	<u>(3,060,713)</u>	<u>(3,753,373)</u>	<u>(755,666)</u>	<u>(905,805)</u>
Gross profit	404,673	537,538	779,547	154,502	175,709
Profit/(loss) from operations	246,472	89,554	(375,831)	64,655	79,243
Profit/(loss) and total comprehensive income for the year/period attributable to equity shareholders of the Company	13,974	(172,864)	(564,219)	19,752	18,613

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net profit (*non-IFRS measure*) as additional financial measures, which is not required by, or presented in accordance with IFRSs. We believe that the

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non-IFRS measure provides 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 net profit (*non-IFRS measure*) may not be comparable to similarly titled measures presented by other 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 IFRSs.

We define adjusted net profit (*non-IFRS measure*) as net profit for the periods adjusted by adding back share-based payments, changes in the carrying amount of financial instruments issued to investors and [REDACTED] expenses. The following table reconciles our adjusted net profit (*non-IFRS measure*) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs, which is net profit or loss for the periods:

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Reconciliation of net profit/(loss) to adjusted net profit (<i>non-IFRS measure</i>)					
Net profit/(loss) for the year/period	13,974	(172,864)	(564,219)	19,752	18,613
<i>Add:</i>					
– Changes in the carrying amount of financial instruments issued to investors ⁽¹⁾	207,342	244,748	178,596	43,151	55,051
– Share-based payments ⁽²⁾	–	187,348	739,569	–	–
– [REDACTED] expenses ⁽³⁾	–	–	10,102	–	4,232
Adjusted net profit (<i>non-IFRS measure</i>)	<u>221,316</u>	<u>259,232</u>	<u>364,048</u>	<u>62,903</u>	<u>77,896</u>

Notes:

- (1) 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.”
- (2) Share-based payments are non-cash in nature and are not expected to result in future cash payments made by us, representing (i) share-based payments in relation to share awards of RMB691.0 million in 2022, which represented the difference between the fair value and price of the paid-in capital of Shiyue Zhongxin granted to Mr. Wang and Ms. Zhao as a consideration for their services rendered, see Note 26(a) of Appendix I to this document; and (ii) share-based payments of RMB187.3 million in 2021 and RMB48.6 million in 2022 in relation to transfers of paid-in capital from our certain senior management to new investors of Series B financing in 2021 and Series C financing in 2022, representing a consideration higher than the fair value of the transferred paid-in capital at the dates of share transfers, 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.”
- (3) [REDACTED] expenses are expenses related to the [REDACTED].

We had net loss of RMB172.9 million in 2021 compared to net profit of RMB14.0 million in 2020, primarily due to (i) the increase in cost of sales; (ii) the increase in administrative expenses, especially share-based payments; and (iii) the increase in changes in the carrying amount of financial instruments issued to investors, despite (iv) the increase in revenue. Our net loss increased significantly from RMB172.9 million in 2021 to RMB564.2 million in 2022, primarily due to (i) the increase in cost of sales; and (ii) the increase in administrative

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expenses, especially share-based payments, despite (iii) the increase in revenue; and (iv) the decrease in changes in the carrying amount of financial instruments issued to investors. Our net profit remained relatively stable at RMB19.8 million and RMB18.6 million in the three months ended March 31, 2022 and 2023, primarily due to (i) the increase in cost of sales; and (ii) the increase in changes in the carrying amount of financial instruments issued to investors, despite (iii) the increase in revenue.

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

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,			As of
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	823,935	1,737,342	2,058,147	2,252,505
Non-current assets	311,647	646,810	1,004,405	1,041,588
Total assets	1,135,582	2,384,152	3,062,552	3,294,093
Current liabilities	465,654	251,697	744,856	617,521
Non-current liabilities	387,402	1,913,867	2,424,068	2,768,055
Total liabilities	853,056	2,165,564	3,168,924	3,385,576
Net current assets	358,281	1,485,645	1,313,291	1,634,984
Net assets/(liabilities)	282,526	218,588	(106,372)	(91,483)

Our net current assets increased by 24.5% from RMB1,313.3 million as of December 31, 2022 to RMB1,635.0 million as of March 31, 2023, primarily due to (i) the increase in cash and cash equivalents; and (ii) the decrease in trade and other payables, partially offset by (iii) the decrease in trade and other receivables; and (iv) the decrease in inventories. 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 recognition of redemption liabilities for the preferential rights; (ii) our net loss in 2021; and (iii) the transfer of paid-in capital among the equity shareholders; partially offset by (iv) the capital contributions; and (v) the effect of the modification of redemption rights in 2021. 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) our net loss in 2022; (ii) the deemed distribution and (iii) the dividends to shareholders, partially offset by (iv) the recognition of capital reserve in relation to share-based payments. Our net liabilities decreased by 14.0% from RMB106.4 million as of December 31, 2022 to RMB91.5 million as of March 31, 2023, primarily due to (i) profit in the three months ended March 31, 2023; and (ii) the capital contribution, partially offset by (iii) the recognition of redemption liabilities for the preferential rights in the three months ended March 31, 2023.

Our financial instruments issued to investors will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares and our position of net liabilities would turn into net assets upon [REDACTED].

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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,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Operating cash flows before movements in working capital	260,050	303,301	415,999	82,195	98,579
Changes in working capital	(163,685)	(795,097)	(231,961)	378,427	211,768
Cash generated from/(used in) operation	96,365	(491,796)	184,038	460,622	310,347
Income tax paid	(6,130)	(3,364)	(6,815)	(445)	(3,345)
Net cash generated from/(used in) operating activities	90,235	(495,160)	177,223	460,177	307,002
Net cash used in investing activities	(197,181)	(361,170)	(316,341)	(478,614)	(71,176)
Net cash generated from financing activities	118,430	940,424	151,263	6,907	256,934
Net increase/(decrease) in cash and cash equivalents	11,484	84,094	12,145	(11,530)	492,760
Cash and cash equivalents at the beginning of the year/period	12,637	24,121	108,215	108,215	120,360
Cash and cash equivalents at the end of the year/period	24,121	108,215	120,360	96,685	613,120

In particular, we had net cash used in operating activities of RMB495.2 million in 2021, which was primarily attributable to our loss before taxation of RMB165.3 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising changes in the carrying amount of financial instruments issued to investors of RMB244.7 million and share-based payments of RMB187.3 million; and (ii) changes in working capital, which primarily comprised increase in trade and other receivables of RMB406.4 million and increase in inventories of RMB402.5 million.

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 December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
				<i>(Unaudited)</i>	
Revenue growth (%)	N/A	54.6	26.0	N/A	18.8
Gross profit margin (%) ⁽¹⁾	17.4	14.9	17.2	17.0	16.2
Net profit/(loss) margin (%) ⁽²⁾	0.6	(4.8)	(12.4)	2.2	1.7
Adjusted net profit margin (%) <i>(non-IFRS measure)</i> ⁽³⁾	9.5	7.2	8.0	6.9	7.2

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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 periods divided by revenue and multiplied by 100%.
- (3) Adjusted net profit margin (*non-IFRS measure*) equals adjusted net profit for the periods 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] Shares 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].

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.

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USE OF [REDACTED]

We estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] 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 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; 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

Since August 2023, areas in Northeast China such as Wuchang City have been affected by flood as the result of a period of prolonged heavy rainfall caused by typhoon. As our production base in Wuchang locates outside of the impacted area, our production, employee attendance, equipment and inventory have remained normal. We have also established emergency response team to address potential impacts on our business operation. However, we cannot guarantee that we will be able to take adequate steps to mitigate the potential impact of such unforeseeable events, or to effectively respond to them. We have not received any official notification from suppliers that they had encountered difficulties in fulfilling their obligation to provide raw materials to us under existing contracts; however, we expect that some of our upstream suppliers in or around Wuchang City may be impacted, which could result in potential decrease in paddy supply and related increase in paddy price in the harvest season in 2023 and thereby lead to negative impact on our cost of raw materials and financial performance. We had made procurement based on previous market demand prediction to secure adequate inventory of raw materials to support our production with temperature and humidity-controlled warehouses ensuring the quality of our raw material in storage. However, we cannot guarantee you that we would not face shortage in raw material supply, or that we will not be impacted by the potential increase in raw material price due to the influence of the flood on relevant areas in Northeast China. We may also consider increasing our product prices if needed considering the market trends. As our diverse product portfolio features wide range of suggested retail price, we do not believe such increase in price, if any, would materially diverge from our original pricing position or materially impact the market demands of our products. However, we cannot assure you that we will be able to successfully pass the relevant increase in our costs to consumers, which may materially and negatively affect our business operation, profitability and financial performance. See “RISK FACTORS – Our supply chain and business may be materially and adversely affected by contamination, natural disasters, extreme weather, health epidemics, pandemics and other catastrophic events that are beyond our control.” We are constantly monitoring the supply of raw materials, fluctuation in prices

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of our raw materials and will actively leverage other measures, including expanding our supplier network or engaging additional OEM suppliers, in response to potential shortage of supply and increase in raw material prices, if any.

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since March 31, 2023.

Subsequent to the Track Record Period and up to July 31, 2023, benefiting from the continuous implementation of our business development strategies, our business operations remained relatively stable. Based on our management accounts, our revenue achieved steady growth for the seven months ended July 31, 2023.

IMPACT OF COVID-19

Since late December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. Since early 2020, China, where we operate, has been affected by the COVID-19 outbreak and, in response, restrictive measures have been implemented to contain the spread of the virus. Since the beginning of 2022, the Omicron variant of COVID-19 has resurged in various provinces and cities of China, and prevention measures were implemented to curb the momentum of the outbreak. In the fourth quarter of 2022, while our self-operated production were temporarily affected by reduced number of employees due to closed-loop management as a result of such prevention measures, resulting in lower utilization rate compared to that of 2021, our overall production activities had not been materially and adversely affected by the COVID-19 outbreak. In addition, as we store our products in third-party warehouses across the nation and we generated the majority of our revenue through online channels during the Track Record Period, neither our logistic services nor our sales activities had suffered from material disruptions. Although the implementation of prevention measures did lead to an increase in our transportation expenses, we did not experience significant cost increases and our financial performance had not been materially and adversely affected during the Track Record Period. As a result, the COVID-19 outbreak does not have material adverse impact on our operations and financial conditions during the Track Record Period. Most of the restrictive measures had been lifted since December 2022.

We had benefited from the PRC government’s relief policies in response to the COVID-19 pandemic, primarily the reduction in the amount of social insurance contributions in 2020. To help fight the COVID-19 pandemic, we donated over 60 tons of rice products to Wuhan City in 2020.

Our operations and financial performance in the future may be affected by other variants of COVID-19 or other pandemics, which are highly uncertain and unpredictable. For more details, see “Risk Factors – Risks Relating to Our Business and Industry – Our supply chain and business may be materially and adversely affected by contamination, natural disasters, extreme weather, health epidemics, pandemics and other catastrophic events that are beyond our control.”

[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] issued Shares immediately upon [REDACTED], being the total of the existing Shares and the [REDACTED] H Shares expected to be issued immediately upon completion of the [REDACTED] and the Share Split, assuming the [REDACTED] is not exercised.

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- (2) The unaudited [REDACTED] adjusted net tangible assets per Share is arrived at after making the adjustments referred to in “Financial Information – Unaudited [REDACTED] Statement of Adjusted Net Tangible Assets” and on the basis that [REDACTED] Shares were in issue immediately following the completion of the [REDACTED] and the Share Split, and does not take into account any H Shares which may be issued upon the exercise of the [REDACTED].

DIVIDENDS

We declared and paid RMB50.0 million, nil, RMB200.0 million and nil dividends to the shareholders in 2020, 2021, 2022 and the three months ended March 31, 2023, 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 Board 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.

During the Track Record Period, our Company generally made resolutions to distribute dividends based on the most recent audited annual or interim financial statements. According to our Company’s audited interim financial statements for the six months ended June 30, 2022, our Company had retained profits after drawing reserves and cash and cash equivalents to declare and pay dividends. The dividends were declared and paid by our Company pursuant to the board resolution and shareholders resolution made in September 2022. The PRC Legal Adviser is of the view that our Company could declare and pay dividends while it has retained profits after drawing reserves according to the PRC Company Law.

[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] million 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.

The following table sets forth the breakdown of [REDACTED] expenses by nature:

<u>[REDACTED] fee breakdown</u>	<u>Total Amount</u>
	<i>(HKD in millions)</i>
[REDACTED] expenses	[REDACTED]
[REDACTED] expenses	[REDACTED]
Fees and expenses of legal advisors and the reporting accountants	[REDACTED]
Other fees and expenses	[REDACTED]