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### OVERVIEW

We are one of the leading and rapidly growing pantry staple food companies in China, enjoying a robust multichannel 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 multichannel 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 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. 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.

We are committed to provide customers with products of diversified categories that are sourced from renowned grain production regions in China. 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.

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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 multichannel sales network, our brands remain popular among consumers in China. Since our inception, we strive to consistently provide Chinese consumers with quality, healthy and fresh food products, and aim to capture consumer mindshare with high brand visibility and convenient purchase experience.

We pride ourselves on our strong multichannel operation capabilities, underpinned by our ability to rapidly replicate valuable experience and expertise from established channels to new ones. We have adeptly identified the potential opportunities and taken proactive measures to establish ourselves on 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 multichannel operating experiences. We retained the largest market share by revenue in 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 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 multichannel 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. 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 multichannel 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. 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.

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### OUR STRENGTHS

#### **A leading pantry staple food company in China positioned for strong growth**

We are one of the leading and rapidly growing pantry staple food companies in China, dedicated to providing consumers with pre-packaged premium rice, whole grain, bean, and dried food products. Over the past decade, we have built a competitive brand portfolio, an multichannel sales network, and highly efficient supply management systems. With the surge in demand for branded products in China’s rice, whole grain, bean and seed market, we have amassed a substantial consumer base for our multiple household brands, notably exemplified by our success in Shiyue Daotian and Firewood Courtyard, and a proven track record, according to Frost & Sullivan:

- for each year from 2019 to 2022, we have been the largest company in China in terms of revenue in China’s pre-packaged retail market for Northeast Rice products, with a market share of 9.7% in 2022, which is approximately 1.5 times that of the second largest one;
- we were the largest company in terms of revenue in China’s pre-packaged premium rice market in 2022;
- we ranked third in terms of revenue in China’s pre-packaged rice market in 2022; and
- we were the largest company in terms of revenue in China’s pre-packaged whole grain, bean and seed market in 2022.

China’s rice, whole grain, bean and seed industry has undergone significant changes in recent years. The emergence and expansion of grocery retail channels, together with consumption upgrade among Chinese consumers, have led to a shift towards more convenient consumption experience, diverse product offerings and branded products of premium quality. This has catalyzed the transformation of the industry, with companies increasingly prioritizing brand equity development. In contrast, China’s pre-packaged rice, whole grain, bean and seed market is highly fragmented, according to Frost & Sullivan, presenting leading brands with market consolidation opportunities.

As an industry leader, we believe that we are more favorably positioned than our competitors to capture the opportunities arising from such transformation of China’s rice, whole grain, bean and seed industry. Following our efforts for over a decade, we have established a compelling brand portfolio, highlighted by our flagship brands, Shiyue Daotian and Firewood Courtyard. We have also constructed a diversified multichannel sales network and have emerged as a prominent market leader across multiple sales channels. According to Frost & Sullivan, among the top five players in China’s pantry staple food market, we are the fastest-growing company in terms of revenue CAGR from 2020 to 2022, exceeding the industry average of 3.9% and the average growth rate of the remaining four companies. During the

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Track Record Period, we achieved remarkable growth, with revenue increasing from RMB2,327.0 million in 2020 to RMB3,598.3 million in 2021, and further to RMB4,532.9 million in 2022, growing at a CAGR of 39.6% from 2020 to 2022, 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. Our adjusted net profit (*non-IFRS measure*) reached RMB364.0 million and RMB77.9 million in 2022 and the three months ended March 31, 2023, respectively.

### **Multiple household brands with compelling product offerings**

Similar to the development of edible oil, flour and condiment industries, China’s rice, whole grain, bean and seed industry has been transforming in recent years with companies becoming increasingly focused on building brand equity. Capitalizing on the historical opportunity presented by the evolving industry landscape, we have committed unwavering dedication to cultivating a portfolio of household names, underpinned by our flagship brands, Shiyue Daotian and Firewood Courtyard. Our brands feature differentiated brand positioning and category focus, thoughtfully designed to cater to the diverse demands of different consumer groups. By consistently providing Chinese consumers with quality, healthy and fresh food products, we are committed to establishing ourselves as the go-to pantry staple food brand for Chinese consumers.

Today, our flagship brands, Shiyue Daotian and Firewood Courtyard have become household names by Chinese families. According to Frost & Sullivan, in terms of the sales on JD.com in 2022, the repurchase rate for our rice, whole grain, bean and seed products under Shiyue Daotian and Firewood Courtyard has outperformed the industry average. Moreover, Shiyue Daotian has been recognized as “Best Partner of 2022 (2022年度最佳合作夥伴)” by JD Supermarket and “Hundred Million Club – Super Brand of 2022 (超棒品牌億元俱樂部)” by Tmall Supermarket.

With our superior brand equity, consumer insights and industry expertise, we have introduced comprehensive and complementary product offerings comprising an extensive range of product categories. We are also capable of developing new products that cater to the evolving needs of consumers and characteristics of sales channels. In response to the market demand for diverse staple foods, we have launched whole grain products such as mixed brown rice and millet, providing more people with access to a nutritious diet. We have also launched products in small packs to meet the needs of smaller families and single people. By adopting creative and distinct packaging designs and marketing strategies, we have successfully introduced a series of products that received positive market reactions. For instance, we have launched series such as “Cold Dew Autumn Aroma (寒露秋香) Series,” “China Chic Series (國潮系列)” and “National Flower Series (國花系列),” catering to the diverse preferences of consumers from different age groups and different consumption scenarios. We have a strong track record of introducing popular 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.

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### **Multichannel sales network with a nationwide reach**

Our sales network is highly diversified and spans a multitude of online and offline channels, enabling us to achieve broad consumer coverage and penetrate the market effectively. We not only maintain strong partnerships with, and have established leading positions on, prominent comprehensive e-commerce platforms, such as JD.com and Tmall, but also proactively explore new cooperation opportunities in emerging channels such as social e-commerce platforms and community group buying platforms. With online and offline integrated operation capabilities, we also have established ourselves as a leading player in the grocery retail channels, achieving rapid growth and success in this area. Our multichannel sales network keeps us updated on consumers’ product experiences and evolving preferences, that informs our future products developments and sales strategies upgrades.

We have managed to maintain our position at the forefront of sales channel evolution. By harnessing our extensive industry knowledge and market acumen, we have effectively identified opportunities that arose from the emergence of new sales channels, and have entered such channels at an opportune moment, ensuring that we stay ahead of the competition. Anticipating the growth prospects in their early stages, we initiated collaboration with JD.com and Tmall as early as 2011 and 2013, respectively, allowing us to establish a commanding online presence and acquire invaluable operational experience. From 2019 to 2022, we have been the largest company by revenue on comprehensive e-commerce platforms for China’s rice, whole grain, bean and seed industry, with a 14.2% market share in 2022, which was 2.7 times that of the second largest one, according to Frost & Sullivan. In 2016, along with the expansion of grocery retail channels and popularity of online-offline integrated retail models, we expanded our business to grocery retail channels, and in 2022, we became fourth-largest company by revenue in the grocery retail channels for China’s rice, whole grain, bean and seed industry. With the rise of emerging sales channels, we further expanded into social e-commerce platforms and community group buying platforms, forging partnerships with prominent platforms. In 2022, we ranked first by revenue on both social e-commerce platforms and community group buying platforms in China’s rice, whole grain, bean and seed market.

We have established ourselves as a critical business partner for sales channels. Our robust supply chain management capabilities facilitate consistent and reliable delivery of premium products, effectively meeting the demands of sales channel partners. As one of the few companies possessing household brands across product categories, superior product offerings and multichannel operating capabilities, we are able to meet the evolving dietary preferences of Chinese consumers seeking healthier and more nutritious options. Furthermore, our triumph in building an influential brand image and offering popular products through online channels also empowers the operation of our sales channel partners by enticing prospective consumers to explore their offerings.

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### **Industry-leading branding and marketing capabilities**

An influential brand image and effective marketing are crucial to our success. We have accumulated abundant marketing experience and knowhow over the past decades, which have formed the backbone of our branding and marketing capabilities, fortified by our foresight in predicting and capitalizing on future marketing trends. We excel at applying such invaluable experience and knowhow to new products, and tailoring suitable marketing strategies in adapting to different sales channels. By implementing more engaging marketing activities such as livestreaming events, online promotional campaigns and content marketing, we aim to have more frequent interaction with our consumers and deepen their connections with us.

Our primary focus has been on enhancing our brand awareness among consumers. To build an energetic and refreshing brand image in the minds of consumers, we have designed a series of captivating marketing content that highlights the distinctiveness of rice, whole grain, bean and seed industry, resonating with modern society’s pursuit of a healthy lifestyle. These efforts have enabled us to effectively communicate our values to consumers and win their trust. Collaborating with celebrities and an Olympic medalist who embody our brand positions also reinforces our dedication to excellence. Furthermore, our entertaining product packaging designs have gained significant popularity in the market, driving increased sales and repeat purchases.

Our strong marketing capabilities are supported by our universal marketing matrix and our vast experience in formulating marketing strategies for different sales channels. We have established a strong presence on comprehensive e-commerce platforms and social e-commerce platforms in China. As of March 31, 2023, we have collaborated with over 4,000 KOLs and KOCs, and over 500 of them have over one million followers. We also have a steadfast consumer base, who share our values and have naturally become advocates of our products. As of March 31, 2023, our self-operated online stores and media accounts had an aggregate of approximately 28 million followers.

Leveraging our multichannel operation capabilities, we conduct online-offline integrated marketing campaigns to enhance marketing results. Since 2021, we have progressively cooperated with multiple online and offline sales channels to launch our themed marketing campaign, “Shiyue Daotian Fresh Rice Season (十月稻田新米季).” It aims to fully showcase our product highlights through a combination of content marketing, livestreaming events, offline product display and taste events. We also simultaneously advertise across social media platforms and deploy splash ads and billboards at metro stations to maximize our exposure across different channels. Our online-offline integrated marketing campaigns directly provide us with abundant consumer feedback, enabling our introduction and improvement of products to better address their evolving demands.

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### **A strategic layout in five core grain production areas of China**

The foundation of our brands’ and products’ core competitiveness lies in the superior quality of raw materials. We have consistently focused on sourcing raw materials from renowned places of origin for grains in China, particularly the Northeast China Plain, which enjoys an exceptional natural environment and geographical conditions. As one of the three major global black-soil grain production areas, the Northeast China Plain is situated in an ideal location for agricultural production, featuring abundant water, fertile land and distinct seasons. The snow and frost in the area help to preserve soil fertility and water. Moreover, the significant diurnal temperature variation and longer crop maturity in the Northeast China Plain both contribute to the premium quality of the rice cultivated there.

To ensure efficient procurement of raw materials, we have strategically located our five production bases, namely Shenyang Xinmin, Wuchang, Songyuan, Tonghe and Aohan, in close proximity to the core production areas for rice, whole grain and beans in Northeast China and Inner Mongolia. See “– Our Production – Overview.” Since our inception, establishing and maintaining stable relationships with raw materials suppliers in those places have been one of our top priorities, enabling us to achieve a sustainable supply of premium raw materials. We work closely with local farmers cooperatives, professional agricultural products suppliers and small-scale farmers, and have become their preferred business partners due to our credibility, corporate reputation and stable procurement demand.

With the lower temperature prevalent in Northeast China Plain, we are capable of efficiently procuring and storing fresh paddy and other grain upon maturity, ensuring that their freshness and moisture levels remain intact. According to Frost & Sullivan, we are among a few companies in China’s rice, whole grain, bean and seed industry that have implemented a vertically integrated operation model encompassing the entire industry chain, from procurement, storage, production and sale to logistics. This allows us to offer consumers fresh products that retain their natural taste and aroma.

### **Outstanding supply chain management and quality control systems**

By closely collaborating with various sales channels, we are able to oversee all stages of our value chain, enabling us to collect and analyze consumption information in a timely manner, and synchronize our order, inventory, and production information. This allows us to respond quickly to real-time transaction information by efficiently formulating, monitoring and adjusting our production plans, and make informed decisions during the business process. By efficient supply chain management, orders can be typically dispatched to designated warehouses or end-consumers within three days after placement, guaranteeing the freshness and good taste of our products. Furthermore, our flexible and efficient supply chain ensures a rapid response to market needs. During the Double Eleven sales event in 2022, we managed to fulfill over a million orders placed through online sales channels through dynamic order prediction, inventory management, production planning, and logistics arrangements.

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Our production is highly standardized and automated, and we are committed to continuously upgrading our production line with advanced equipment to enhance its automation level. As of March 31, 2023, we had put into operation over ten automated production lines. Additionally, we have built a modern warehouse and distribution system, which expands nationwide through five self-operated regional distribution centers (“RDCs”) in Shanghai, Tianjin, Chengdu, Shenyang and Dongguan, and ten local warehouses to ensure prompt and reliable contract fulfillment.

Our central quality management system covers our entire business process. We are meticulous in our scrutiny of raw materials, implementing a strict supplier management system, conducting regular supplier evaluations and on-site inspections. Our quality control measures extend to monitoring physicochemical and microbiological indicators in raw materials and finished products. We have obtained certification by ISO 9001, HACCP and FSSC 22000 for our production processes. Furthermore, we have partnered with a globally recognized testing, inspection and certification agency to further strengthen our product quality control.

### **An experienced management team with excellent execution abilities**

Our founding team members, particularly Mr. Wang and Ms. Zhao, possess nearly 20 years’ experience and insights in product development, brand building and sales channel operation. In a rapidly changing consumer landscape, our founding team leverages their astute understanding of market trends to continuously explore business opportunities. Their dedication to delivering premium products has been integral to our success.

Our professional management team, equipped with strategic outlook and execution capabilities, keep us at the leading position in the industry. They remain agile in response to market changes, ensuring that we react quickly in strategic adjustment. The core members of our management team have an average of over ten years of industry experience.

We are committed to fostering an entrepreneurial spirit, and encouraging our employees to take on more responsibility. Our comprehensive training programs and competitive incentive mechanisms enable our employees to proactively learn and grow alongside our business expansion, while sharing the value of our corporate culture. We adopt a flat and flexible organizational structure featuring versatile units organized in accordance with the operational needs and business modes of different sales channels. Each unit functions independently, with a high degree of flexibility for organization and execution.

We have established partnerships with rural communities in China, actively participating in rural revitalization and assistance programs. We believe that our brand equity and vertically integrated operation model help to effectively connect the rural areas with consumers. Our comprehensive brand portfolio, underpinned by premium products, benefits our upstream farmers by promoting the development of the local economy and enhancing market needs for local products.



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### OUR STRATEGIES

#### **Enrich our multi-brand portfolio and enhance our brand awareness to solidify our leading position**

Brand awareness and consumer recognition are critical to our long-term success. We are committed to solidifying our leading position in China’s pantry staple food market. We always insist on providing premium products from renowned places of origin for grains, thus further enhancing our differentiated competitive advantages, and increasing our brand mindshare.

Our multi-brand strategy has a proven record of success. In the past, we have successfully incubated and launched multiple brands with different market positioning, including Shiyue Daotian, focusing on the mass market, Firewood Courtyard, focusing on the mid-to-high end market, and Sunshine Family, dedicated to offering value-for-money products. We will further enrich our brand portfolio and develop differentiated marketing strategies to meet diversified consumer needs and strengthen the emotional connection of our consumers with our brand.

To maintain and strengthen our brand momentum, we plan to increase the exposure of our brands in various sales channels through content marketing, themed promotions and social media marketing. In particular, we are committed to promoting quality content instilled with our brand spirit.

#### **Broaden and deepen our multichannel network to enlarge our consumer base with high operational efficiency**

In the past decade, we have successfully accumulated deep insights in developing our sales network, enhancing brand awareness and cultivating our consumer base. We will continue to broaden and deepen our multichannel network to achieve higher market penetration.

We plan to continuously strengthen our channel management capabilities. For example, we will keep capitalizing the steady growth of our established channels such as JD.com and Tmall, and seizing high growth momentum from emerging channels, such as social e-commerce platforms and community group buying platforms. Thus, we can maintain sustainable growth, expand market coverage and further increase our market share.

We are a leading player that stands at the frontier of sales channel transformation. Grasping the industry opportunity of multichannel integration, we will leverage our established competitive advantages to solidify our sales network with deeper penetration, wider reach and higher quality. In particular, we will keep our strong momentum in the grocery retail channels via time-tested premium products and comprehensive services. On that basis, we will further deepen our penetration of NKAs and LKAs, and continuously build our nationwide distribution network.

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### **Expand multi-category product offerings to achieve sustainable growth**

Starting with rice products, we have built product offerings, including Daoxiang rice, long grain rice and Komachi rice. We are committed to providing premium rice products to satisfy our consumers’ daily needs, thereby reinforcing our leading position. We will further diversify our product offerings with differentiated price ranges, packaging specifications and sales channels to increase market penetration.

In the past, we have successfully developed and launched whole grain, bean and dried food product offerings, such as mixed brown rice, millet, red beans and corn, wood ear mushrooms, snow fungus mushroom, and lotus seeds. We believe there will be plenty of opportunities for new product offerings. On the one hand, we will continue solidifying core competencies of our existing products. On the other hand, we will strategically develop new categories in the whole grain, bean and dried food market with high potential, thereby enhancing our competitive advantages across multiple product categories.

We plan to continuously enhance brand awareness in new categories, especially those with high market demand and growth potential in China. To achieve this goal, we will keep developing and launching new product categories to address various consumer needs, based on our industry and consumer insights.

### **Strengthen our “from farm to table” supply chain management capabilities to build integrated operation barriers**

Our outstanding supply chain management capability guarantees our business growth. Our robust supply chain has laid down the foundation for the sustainable, stable and efficient supply of our products. We will continue penetrating into selected production areas for rice and whole grain, bean and other products and strive to ensure consistent and quality supplies via approaches such as payment of deposit to our suppliers, responsible sourcing, and establishing long-term relationship with suppliers. We will remain focused on establishing infrastructure for procurement, production, inspection, storage and other core capabilities in renowned places of origin for grains. In addition, we will remain persistent on ensuring the quality of our products via a quality control system, production process improvement and other internal control approaches along our entire supply chain.

In order to meet consumers’ growing demands, we aim to strategically expand our production capacities at major production bases. We also strive to enhance manufacturing efficiency at our production bases by accelerating the digitalization of our production and introducing more advanced equipment and solutions. We will also enlarge the coverage of our warehousing and logistics network to continuously enhance our fulfillment capabilities to promptly respond to market demand changes. We believe that such approaches will help us to improve our operational efficiency.

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### **Keep optimizing digitalized operation systems, investing in talent pool and fostering cohesive corporate culture**

We will keep optimizing our digitalized operation systems to further improve our operational efficiency and management capabilities. We plan to use our digital operation systems to help us track, collect and analyze core business information along the entire industry chain, and achieve comprehensive network collaboration and intelligent data management, thus enhancing our core competitive advantages.

Our management team has managed to foster agility, openness and leadership, which have enabled and will continuously enable us to navigate the ever-changing markets. We also believe that experienced, proactive and professional employees capable of big-picture thinking at all levels are critical to our long-term success. Therefore, we will keep investing in recruiting, training and retaining our talents.

We will continue to foster a corporate culture committed to provide Chinese consumers with quality, healthy and fresh food products. To achieve that, we will further enhance our cultural influence, group cohesiveness and sense of belonging. In addition, we aim to build a valuable and influential food brand in China by enhancing our service quality and operational efficiency. We are committed to promoting standardization, quality, and branding throughout the pantry staple food industry. We aim to create sustainable value and promote positive energy by demonstrating our commitment to our employees, consumers, partners and society.

### **OUR BRANDS AND PRODUCTS**

We are one of the leading and rapidly growing pantry staple food companies in China, enjoying a robust multichannel brand presence. Committed to becoming the go-to brand for Chinese families, we have been dedicated to providing our consumers with premium pre-packaged rice, whole grain, bean, and dried food products since our inception. Committed to provide customers with products of diversified categories that are sourced from renowned grain production regions in China, we have played a preeminent role amidst the transformation in recent years with companies becoming increasingly focused on building brand equity, and further cultivated favorable brand perceptions among consumers. Following our persistent efforts for more than a decade, we have successfully established and been operating multiple well-recognized brands, mainly including Shiyue Daotian (十月稻田), Firewood Courtyard (柴火大院) and Sunshine Family (福享人家).

Leveraging our high brand awareness, we have amassed a significant and steadfast consumer base, placing ourselves at the forefront of the industry in terms of consumers' intention to recommend and willingness to repurchase. According to Frost & Sullivan, in terms of the sales on JD.com in 2022, the repurchase rate for our rice products under Shiyue Daotian and Firewood Courtyard was 39% and 36%, respectively, higher than the industry average of 26%; the repurchase rate for our whole grain, bean and other products under Shiyue Daotian and Firewood Courtyard was 34% and 32%, respectively, higher than the industry average of 19%; and the repurchase rate for our dried food products under Shiyue Daotian was 30%,

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higher than the industry average of 16%. As consumers share their product experiences with friends and families, we are able to attract more potential consumers by word-of-mouth referrals. 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.

With our superior brand equity, consumer insights and industry expertise, we have introduced comprehensive and complementary product offerings comprising an extensive range of product categories, which strategically focuses 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). In particular, we offer Wuchang rice, a type of Daoxiang rice which has been famous for its place of origin. Wuchang, a National Ecological Civilization Demonstration Area, is recognized as one of the most superior production areas for rice products with national A-class air quality and fertile black soil. Wuchang rice is certified as a China National Geographical Indication Product under GB/T19266 standards. Wuchang rice features a fresh and fragrant aroma, and cooked Wuchang rice has a glowing brightness, with a soft, sticky and sweet taste.

Daoxiang rice



Daoxiang rice is long and translucent in its appearance, with a sticky, firm and sweet taste. It also features a fresh and fragrant aroma.

Long grain rice



Long grain rice is long and full in its appearance, with a firm and chewy taste. Cooked long grain rice naturally exudes a gentle aroma.

Komachi rice



Komachi rice is short and round in its appearance, with a moderately sticky taste.

- **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 refers to seed and corn products.

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- **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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>(unaudited)</i>			
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
<b>Total</b>	<b><u>2,327,008</u></b>	<b><u>100.0</u></b>	<b><u>3,598,251</u></b>	<b><u>100.0</u></b>	<b><u>4,532,920</u></b>	<b><u>100.0</u></b>	<b><u>910,168</u></b>	<b><u>100</u></b>	<b><u>1,081,514</u></b>	<b><u>100.0</u></b>

### Rice Products

Dedicated to bringing consumers premium rice products from renowned places of origin for grains that preserve freshness to the maximized extent, we have constructed production bases adjacent to such places. Thus, we are able to procure fresh raw materials promptly after their maturity period for storage and production, thereby achieving efficient and agile supply chain management. We primarily procure raw materials of superior quality from Northeast China, one of the three major agriculture production areas with black soil in the world. According to Frost & Sullivan, Northeast China’s black soil is rich in nutrients and provides favorable conditions for agricultural production, and its cold weather slows down the growth of crops, allowing them to mature slowly over a long growth period to develop good flavors and textures. Additionally, the significant diurnal temperature variation in Northeast China enhances the density of the crop. According to the Frost & Sullivan 2022 Survey, Northeast Rice is the category in which consumers express the most interest. Our rice products feature soft, chewy and sticky taste, with a fresh aroma, leaving a long-lasting sweetness. According to Frost & Sullivan, we ranked among the top three companies in China’s pre-packaged rice market in terms of revenue in 2022.

We are committed to offering consumers premium products, with continuous innovation guided by our deep industry insights. For example, we have launched our Shiyue Daotian Fresh Rice (十月稻田鮮米). We aim to preserve the freshness and taste of Shiyue Daotian Fresh Rice via various methods. In particular, we use fresh paddy for production and storage, and conduct freshness testing and taste analysis in developing our Shiyue Daotian Fresh Rice. We also adopt

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the use of a nozzle in our packaging design to make the storage of rice products more convenient and hygienic to address the pain point that rice products are difficult to seal after opening. Our Shiyue Daotian Fresh Rice features a six-month shelf life.

Committed to our multi-brand operation approach, we sell our rice products under various brands, and continue to develop and launch products that are well received by consumers. We offer a wide selection of rice products with diversified rice varieties with the raw materials primarily procured from Northeast China that suits the brand positions of our three major brands. According to Frost & Sullivan, due to differences in natural conditions such as soil across different areas of a region and the cultivation techniques implemented by farmers, paddy of the same breed, such as Long Grain rice or grown in the same place of origin, such as Wuchang, varies in grades, quality and taste. Our three major brands are designed to have differentiated brand positioning and price ranges, with Shiyue Daotian focusing on meeting the demands of the mass market, Firewood Courtyard being positioned to capture the mid-to-high-end market and Sunshine Family being dedicated to offering value-for-money rice products. As a result, corresponding to their respective brand positioning, different raw materials are provided under each of such brands to address the needs of their different target consumer groups.

### *Shiyue Daotian*

We launched our Shiyue Daotian brand in 2011, and have established a strong brand awareness for Shiyue Daotian. Shiyue Daotian was a leading brand in China's rice, whole grain, bean and seed industry in terms of revenue in 2022, according to Frost & Sullivan.

We position Shiyue Daotian as a multi-category pantry staple food brand with a focus on meeting needs of consumers in the mass market. Our core values are manifested in our long-term commitment to operating across the whole value chain, which includes procurement from renowned places of origin for grains, standardized production under strict quality control, efficient warehousing and logistics layout and deep penetration in multichannel sales networks. When bringing premium rice products to Chinese consumers' dining table, we believe we are able to build emotional connections with them by integrating our brand image with satisfying consumption experiences, such as families sharing delicious meals together.



Our diverse rice products under the Shiyue Daotian brand cover varieties such as Daoxiang rice (including Wuchang rice), long grain rice and Komachi rice. We launched our Shiyue Daotian classic series of long grain rice in 2013. Our long grain rice has a long and smooth shape, with a bright hue. Raw rice naturally exudes an aroma, and the cooked rice becomes soft and fluffy, with a fresh and sweet taste. We have also designed red packaging for our classic series, to convey the message of auspiciousness, vitality, and prosperity. Our Shiyue Daotian classic series of long grain rice has recorded revenue of over RMB100 million since 2018.

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We have actively developed and launched new products under the Shiyue Daotian brand to address evolving consumer needs, and to increase our brand vitality. For example, we launched the “Cold Dew Autumn Aroma” series of long grain rice and Wuchang rice in 2019. Named after the solar term “cold dew,” which signifies the start of the harvest season, Cold Dew Autumn Aroma embodies the message of “the sweeping seedling aroma in cold dew (寒露時節, 萬里飄香).” We have adopted six-sided and double-layer vacuum packaging for Cold Dew Autumn Aroma to facilitate direct transportation from renowned places of origin for grains to guarantee freshness. The “Cold Dew Autumn Aroma” series of long grain rice has received a warm welcome from consumers from all sales channels, and recorded a revenue of over RMB100 million in 2022.

Benefiting from the high brand awareness and popularity of our Shiyue Daotian brand, we have won numerous awards and recognition, including the *New Force Brand* (新勢力品牌) awarded by Tmall Supermarket. In addition, our Shiyue Daotian rice products have won the golden award of the committee at the Shenyang International Agricultural Exposition (中國瀋陽國際農業博覽會組委會金獎) in 2020. Our Shiyue Daotian Wuchang rice won the golden award by recognition of being a Prominent Heilongjiang Agri-Product (黑龍江好糧油) in 2022.

Below, we set forth some of our representative rice products under Shiyue Daotian:

Product	Launch Time	Net Weight per Individual Package	Suggested Retail Price per Individual Package	Average Suggested Retail Price per Net Weight (kg) <sup>(1)</sup>	Representative Package Design
Classic series – long grain rice (經典系列長粒香米)	2013	500g – 25kg	RMB12.8 – RMB189	RMB8.0	
Classic series – Wuchang rice (經典系列五常大米)	2013	5kg – 10kg	RMB69.9 – RMB129.9	RMB14.0	

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Product	Launch Time	Net Weight per Individual Package	Suggested Retail Price per Individual Package	Average Suggested Retail Price per Net Weight (kg) <sup>(1)</sup>	Representative Package Design
“Cold dew autumn aroma series” – long grain rice (寒露秋香系列長粒香米)	2019	500g – 10kg	RMB6.9 – RMB99	RMB10.0	
“Cold dew autumn aroma series” – Wuchang rice (寒露秋香系列五常大米)	2019	500g – 10kg	RMB9.9 – RMB198	RMB19.8	
“Shiyue Daotian National Flower series” – Wuchang rice (國花系列五常大米)	2019	2.5kg – 5kg	RMB59 – RMB85.9	RMB17.2	

*Note:*

- (1) The average suggested retail price per net weight for rice products are calculated based on the packaging specification of 5kg, which is the representative packaging specification for pre-packaged rice products, according to the Frost & Sullivan 2022 Survey.

### ***Firewood Courtyard***

We launched our Firewood Courtyard brand in 2011, which is positioned to capture the mid-to-high-end market. Committed to embracing the idea of nature, we are devoted to sourcing grains cultivated within renowned places of origin for grains. We believe such pursuit for superior quality will enhance the market demand for our products. Firewood Courtyard conveys the message to “fire the wood to cook the rice (煮飯燃薪, 薪為柴火),” representing a healthy lifestyle, with a natural and rustic charm. Our Wuchang rice is long and smooth in appearance, with a bright and translucent hue. Raw rice naturally exudes a fresh aroma, and cooked rice renders a glowing brightness, with a soft, sticky and sweet taste.



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We offer Wuchang rice and long grain rice under our Firewood Courtyard brand. We launched our “straw hat series (草帽系列)” Wuchang rice and long grain rice in 2014, in which “Straw hat series” Wuchang rice recorded revenue of over RMB100 million in 2022. Our Firewood Courtyard Wuchang rice was recognized as one of the “Top Ten Delicious Japonica Rice” during the tasting event at the third Heilongjiang International Rice Festival of China. We have also launched “China Chic series” under the Firewood Courtyard, emphasizing the commitment to traditional culture heritage. Firewood Courtyard China Chic series have received warm welcome from consumers and become a leading product under the rice product category at Tmall Supermarket.

Below, we set forth some of our representative rice products under Firewood Courtyard:

Product	Launch Time	Net Weight per Individual Package	Suggested Retail Price per Individual Package	Average Suggested Retail Price per Net Weight (kg) <sup>(1)</sup>	Representative Package Design
“Straw hat series” – Wuchang rice (草帽系列五常大米)	2014	5kg – 10kg	RMB79 – RMB149.9	RMB15.8	
“Straw hat series” – ecological long grain rice (草帽系列生態長粒香米)	2014	5kg – 10kg	RMB55 – RMB110	RMB11.0	
“China Chic series” – Wuchang rice (國潮系列五常大米)	2018	5kg – 10kg	RMB149.9 – RMB199	RMB30.0	

Note:



- (1) The average suggested retail price per net weight for rice products are calculated based on the packaging specification of 5kg, which is the representative packaging specification for pre-packaged rice products, according to the Frost & Sullivan 2022 Survey.

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### Sunshine Family

We launched our Sunshine Family brand in 2018, dedicated to offering value-for-money rice products to Chinese families. The launch of Sunshine Family has extended our range to address the needs of more diversified consumer groups.

Below, we set forth some of our representative rice products under Sunshine Family:

Product	Launch Time	Net Weight per Individual Package	Suggested Retail Price per Individual Package	Average Suggested Retail Price per Net Weight (kg) <sup>(1)</sup>	Representative Package Design
Sunshine Family Northeast Rice (東北大米)	2021	5kg – 10kg	RMB35 – RMB59.9	RMB7.0	
Sunshine Family Long grain rice (長粒香米)	2018	5kg	RMB39.9	RMB8.0	

Note:

- (1) The average suggested retail price per net weight for rice products are calculated based on the packaging specification of 5kg, which is the representative packaging specification for pre-packaged rice products, according to the Frost & Sullivan 2022 Survey.




### Whole Grain, Bean and Other Products

To meet consumers’ diverse dietary needs, we have been actively developing and launching whole grain, bean and other products under the brand Shiyue Daotian. We launched our first bean product, red beans, in 2016, followed by soybeans, mung beans and black beans. In 2019, we introduced our signature tri-color brown rice to the market, which features a balanced mix of red rice, black rice and brown rice. We have also intentionally kept the seed coat and germ part of the ingredient to maintain the high fiber content. Within six months after its launch, our tri-color brown rice product had climbed to the top on JD.com in terms of revenue, according to Frost & Sullivan. Riding on such growth momentum, we have further launched five-color brown rice and seven-color brown rice, offering diversified healthy staple food options. According to Frost & Sullivan, we ranked first in China’s mixed brown rice sub-category in terms of revenue generated from comprehensive e-commerce platforms in 2022.

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We aim to continuously launch and upgrade our products, leveraging our strong brand equity, supply chain management, and sales channel operation capabilities. For example, in 2016, we launched one of our earliest whole grain products, millet. In 2022, we further launched Aohan millet. Aohan millet refers to millet sourced in Aohan, Inner Mongolia, known as the “Hometown of Millet in the World,” and has been certified as a China National Geographical Indication Product. We believe such approach will help us to solidify and enhance our competitive advantages in each product sub-category.

Below, we set forth our key whole grain and bean products:

Product	Launch Time	Net Weight per Individual Package	Suggested Retail Price per Individual Package	Average Suggested Retail Price per Net Weight (kg) <sup>(1)</sup>	Representative Package Design
Millet	2016	1kg – 2.5kg	RMB16.8 – RMB58.9	RMB16.8 – RMB23.6	
Bean	2016	1kg	RMB14.9 – RMB23.8	RMB14.9 – RMB23.8	
Mixed brown rice (糙米類混合雜糧)	2019	2.5kg	RMB36.8 – RMB39.9	RMB14.7 – RMB16.0	

Note:



- (1) The average suggested retail price per net weight for millet products and bean products is calculated based on the packaging specification of 1kg, which is the representative packaging specification for such products, according to the Frost & Sullivan 2022 Survey. The average suggested retail price per net weight of mixed brown rice products is calculated based on the packaging specification of 2.5kg, which is the representative packaging specification for such products, according to the Frost & Sullivan 2022 Survey.

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### Dried Food and Other Products

We have created a differentiated and rich portfolio of dried food products, based on our deep insights into markets and consumer, with different product types, tastes, price ranges, sales channels and marketing efforts. We mainly market our dried food products, such as wood ear mushrooms, snow fungus mushroom and lotus seeds, under our Shiyue Daotian brand. In the future, we plan to further expand our portfolio for dried food products. Our strong brand equity, multichannel sales network and operational experience have created synergy among our product offerings by increasing consumer stickiness and cross-selling opportunities. Our dried food and other products offerings also include by-products, such as bran, husk and fractionated rice.

Below, we set forth our key dried food products:

Product	Launch Time	Net Weight per Individual Package	Suggested Retail Price per Individual Package	Average Suggested Retail Price per Net Weight (kg) <sup>(1)</sup>	Representative Package Design
Wood ear mushrooms	2017	150g	RMB23.9	RMB159.3	
Lotus seeds	2019	250g	RMB28.9	RMB115.6	

*Note:*

- (1) The average suggested retail price per net weight for wood ear mushrooms and lotus seeds is calculated based on the packaging specification of 150g and 250g, respectively, which are our only packaging specifications for such products.

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### BRANDING AND MARKETING

We place great emphasis on brand-building, and have developed outstanding marketing capabilities across our multichannel sales network. We strategically curate our brand portfolio and product offerings, with differentiated price ranges, sales channels, product categories and packaging styles to reach a wide consumer base. Our leading position, diverse product offerings and brand equity enable us to cooperate with our business partners across our multichannel sales channels to reach more consumers, and further consolidate our leading position and enhance our brand awareness.

Moreover, we utilize cross-channel marketing efforts to solidify our strong presence across our multichannel sales network. In 2022, we cooperated with JD.com and Tmall to jointly launch the themed marketing campaign, “Shiyue Daotian Fresh Rice Season.” We provided fresh rice products at NKAs for tasting, promoted our products via livestreaming, and conducted consumer education of rice products to showcase the advantages of our products. In the meantime, we placed advertisements across social media, together with splash ads and billboards at metro stations to increase the exposure of this marketing campaign. Through the accumulation of experience, comprehensive training and know-how sharing, we have cultivated a top marketing team. Our marketing team is responsible for tracking market dynamics, discovering new channels and analyzing market characteristics to develop suitable promotion and sales strategies. Thus, we are able to continuously conduct tailored, interactive and entertaining marketing activities to adapt to different sales channels and consumer profiles.

We combine packaging design and marketing activities to emphasize our core brand image. For example, to promote our Cold Dew Autumn Series products, we have adopted multi-dimensional efforts. Using premium products from renowned places of origin for grains as the foundation for our product, we appeal to the aesthetics intrinsic within traditional Chinese solar terms to strengthen the connection between our products and a healthy lifestyle. We also specifically use a transparent window in our packaging design to allow consumers to directly see and examine our products. Leveraging high brand awareness and rich experience, we are able to continuously launch popular products to address differentiated and evolving consumer needs. For example, with the emerging trend of pursuit for domestic brands, we launched Firewood Courtyard “China Chic series” via online channels, emphasizing the commitment to traditional culture heritage. Firewood Courtyard China Chic series has received a warm welcome from consumers and become a leading product under the rice product category at Tmall Supermarket.

To effectively manage reputational risks and maintain our brand and product image, we have established and implemented a comprehensive information dissemination and media relations management system that outlines the procedures for handling potential negative publicity. Additionally, we have established a dedicated media working group to manage external media communications. If we become aware of any negative publicity, our media working group responds immediately and informs our Directors and senior management to devise appropriate measures to address the concerns raised in the negative publicity.

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We continuously solidify our brand awareness, and strengthen our close connection with consumers through implementing different forms of marketing activities. Our representative marketing events include:

***Shiyue Daotian Brand Day.*** We have designated October 18, which is around the founding day of our Shiyue Daotian brand, as our Shiyue Daotian Brand Day. We conduct promotions through multichannel sales channels, such as JD.com, Tmall and grocery retail channels.

***Quality content marketing.*** We excel at conveying our brand value to consumers through quality content production. For example, we launched our online campaign event, “Shiyue Daotian brings you a spring (十月稻田帶你打包春天)” on Weibo and Xiaohongshu with a series of creative posters to present consumers with the spring scenery of Northeast China. The campaign is intended to promote the highlights of our popular product, long grain rice, by emphasizing its renowned places of origin and good taste.

***Themed products.*** We continue launching various themed products to enhance brand exposure. For example, we have integrated traditional cultural symbols in launching our “National Flower series” products. This allows consumers to experience the profoundness of Chinese culture while tasting delicious food.

***Media collaboration.*** In 2022, we broadcast the daily production at our Wuchang Production Base through the “Transparent Factory” (透明工廠) program of People.cn (人民網), showcasing the entire production process and quality control of our rice products. In the same year, we presented our Shiyue Daotian Harvest Season activities via the official streaming account of People.cn.

***Live streaming.*** We continue carrying out daily live broadcasting activities to introduce the ecosystem of Northeast China, and other selected rice production areas, and emphasize the quality of our rice products. For instance, we carried out a live broadcast event with the theme of “Take Me Home for the New Year (陪你回家過年)” during the Chinese New Year in 2022 to build emotional connection with consumers.

***Immersive offline experience.*** In 2021, we introduced an offline interactive campaign with our NKA partner, allowing consumers to participate in on-site rice milling by using intelligent rice millers and to experience the process of rice hulling. This event enabled wide consumer groups to understand the production process of rice, and encouraged them to share their experiences to naturally promote our products.

***Celebrity endorsement and collaboration with KOLs and KOCs.*** We have selected a brand ambassador, a Olympic medalist, who echoes our brand spirit. As of March 31, 2023, we had cooperated with over 4,000 KOLs and KOCs from various platforms, of which over 500 KOLs and KOCs have more than one million followers. We also had approximately 28 million followers across e-commerce platforms and online stores as of March 31, 2023. We do not consider ourselves to rely on KOL and KOC marketing to sell our products as KOL and KOC

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marketing contributed a very small portion of our total revenue during the Track Record Period. The costs associated with the use of KOLs and KOCs are expensed as incurred. We generally enter into one-off contracts for each of our cooperation with such KOLs or KOCs. The salient terms of such contracts are set out below:

- **Cooperation contents.** KOLs or KOCs provide us with mutually agreed product promotion services. We typically stipulate the products, discount prices, discount method and other details of our promotion activities in our contracts with them.
- **Remuneration, profit sharing arrangement and payment.** Our payment to the KOLs or KOCs typically consists of a fixed live streaming fee and a commission of no more than 30% of the sales amount generated from the KOLs’ or KOCs’ promotion activities. Our commission settlement period with the KOLs or KOCs is typically no more than 30 days after the promotion activities.
- **Confidentiality.** The KOLs or KOCs shall not leak our commercial secrets to any third parties.
- **Termination.** The contracts will be terminated upon expiration, or by other means as set forth in the relevant agreements.

### Regulatory Developments

On February 24, 2023, the SAMR promulgated the Administrative Measures for Online Advertising (《互聯網廣告管理辦法》), which came into effect on May 1, 2023. On November 5, 2020, it promulgated the Guiding Opinions of the State Administration for Market Regulation on Strengthening the Regulation of Online Livestreaming Marketing Activities (《市場監管總局關於加強網絡直播營銷活動監管的指導意見》, the “Guiding Opinion”). On March 25, 2022, the Cyberspace Administration of China (國家互聯網信息辦公室, the “CAC”), the SAT and the SAMR jointly issued the Opinions on Further Regulating the Profit-making Behavior of Online Live Streaming to Promote the Healthy Development of the Industry (《關於進一步規範網絡直播營利行為促進行業健康發展的意見》). In addition, On March 25, 2022, the CAC, the SAMR and the SAT jointly issued the Notice on Carrying out the Special Action of “Qinglang•Rectification of Chaos in the Field of Online Live Streaming and Short Video” (《關於開展“清朗•整治網絡直播、短視頻領域亂象”轉型行動的通知》). For details of the above regulations, see “Regulatory Overview – Laws and Regulations Relating to Product Quality and Consumer Protection – Advertisement Law.”

The recent regulatory changes in relation to the tightening regulations target the rectification campaign against illegal behaviors in the online live streaming and short video industries, including false propaganda, tax avoidance and other outstanding problems. During the Track Record Period and as of the Latest Practicable Date, (i) we had not been subject to any sanction or penalty with respect to the false propaganda or the tax evasion of KOLs or KOCs; (ii) as advised by our PRC Legal Adviser, according to the Live Network Marketing Management Measures (for trial implementation) (《網絡直播營銷管理辦法(試行)》), the live

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marketing platforms and the live marketing personnel service agencies shall perform withholding obligations in accordance with the law, therefore, the KOLs, the KOCs, the live marketing platforms and the live marketing personnel service agencies, rather than us, is directly liable for tax evasion (if any); and (iii) our reliance on KOLs and KOCs to promote products or brands is limited as KOL and KOC marketing contributed a very small portion of our total revenue during the Track Record Period. As such, our Directors are of the view that there is no material impediment for the Group to comply with the relevant laws and regulations concerning online marketing.

Based on the independent due diligence conducted by the Joint Sponsors and having considered the views and basis of our Directors and the PRC Legal Adviser as disclosed above, nothing has come to the Joint Sponsors' attention that would reasonably cause them to cast doubt on the reasonableness of our Directors' view as disclosed above in any material aspect.

### OUR SALES NETWORK

We have built an extensive and diverse multichannel 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. With our acute market insights, differentiated marketing strategies, strong execution capabilities, and efficient supply chain management, we have partnered with multiple e-commerce platforms with leading positions, wide consumer outreach and high brand awareness in China and established leadership under multiple categories in terms of market share. 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 multichannel sales network. Since 2016, we have diversified into grocery retail channels and cooperated with well-known partners. 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.

With the continuous expansion of our sales network, we have accumulated extensive experience in the identification, development and operation of sales channels. Thus, we are able to quickly identify and deploy emerging sales channels, effectively replicate our core operational experience, strategically launch suitable products, and achieve sustainable development. 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.



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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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
<b>Online channels</b>										
- 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
<b>Grocery retail channels</b>	216,060	9.3	403,994	11.2	695,954	15.4	101,858	11.2	128,401	11.9
<b>Direct customers<sup>(1)</sup></b>	157,893	6.8	307,193	8.5	452,010	10.0	77,854	8.6	110,712	10.2
<b>Distribution network</b>	103,560	4.5	170,483	4.7	240,766	5.3	33,180	3.6	64,879	6.0
<b>Total</b>	<b><u>2,327,008</u></b>	<b><u>100.0</u></b>	<b><u>3,598,251</u></b>	<b><u>100.0</u></b>	<b><u>4,532,920</u></b>	<b><u>100.0</u></b>	<b><u>910,168</u></b>	<b><u>100.0</u></b>	<b><u>1,081,514</u></b>	<b><u>100.0</u></b>

*Note:*

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

### Online Channels

We believe that operating online channels enables us to better understand and respond to consumers’ evolving demands, promote our products and enhance our brand awareness. As one of the first pantry staple food companies to develop online channels, we had ranked first in online sales channels in China’s rice, whole grain, bean and seed market for four consecutive years, from 2019 to 2022, in terms of revenue, according to Frost & Sullivan. We have accumulated rich operational experiences and established competitive advantages in online channels, including e-commerce platforms and online self-operated stores.

### *E-commerce Platforms*

We primarily sell products to e-commerce platforms, which, in turn, sell our products to consumers. We collaborate with both comprehensive e-commerce platforms such as JD.com and Tmall, and community group buying platforms in China. As of December 31, 2020, 2021 and 2022, we collaborated with 24, 27 and 29 e-commerce platforms, respectively, primarily due to our continuous efforts to expand and enhance our collaboration with e-commerce platforms. As of March 31, 2023, we collaborated with 24 e-commerce platforms and the decrease from that as of December 31, 2022 was primarily due to (i) our optimization of collaboration selection in consideration of e-commerce platforms’ performance, and (ii) the closure of certain e-commerce platforms. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we generated revenue of RMB1,585.6 million, RMB2,190.6 million,

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RMB2,657.3 million, RMB617.0 million and RMB677.3 million from e-commerce platforms, respectively, representing 68.1%, 60.9%, 58.6%, 67.8% and 62.6% of our revenue during the same periods, respectively. We have been widely recognized by e-commerce platforms. For example, we were listed on the JD Supermarket Food and Beverage Annual Ranking Bestseller Quality Top 10 (年度京東超市食品飲料年度排行榜暢銷品品質榜十強) and won the Tmall Outstanding Partner Award (天貓傑出合作夥伴獎) during our collaboration with Tmall, reflecting the established leadership of our business on e-commerce platforms.

We primarily enter into sales and purchase arrangement with e-commerce platforms. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, our revenue generated from e-commerce platforms under sales and purchase arrangement amounted to RMB1,540.2 million, RMB2,111.3 million, RMB2,551.2 million, RMB595.0 million and RMB649.2 million, respectively. Under sales and purchase arrangement, we primarily collaborate with (i) comprehensive e-commerce platforms, with which we have a buyer-seller relationship and (ii) community group buying platforms, which help us to expand our reach to consumers leveraging their platforms and warehousing and logistics capabilities. Under buyer-seller relationship, we recognize revenue when the goods are received and the settlement statement is confirmed by both parties. We primarily provide rice products under the sales and purchase arrangement so that the e-commerce platforms will implement marketing activities, reducing our needs for internal workforce for relevant operation and enhancing our efficiency.

We also enter into consignment arrangements with two e-commerce platforms during the Track Record Period, which did not differ from sales and purchase arrangements in terms of product offerings and pricing. We enter into both sales and purchase arrangement and consignment arrangement with leading e-commerce platforms such as Tmall depending on our business needs which are usually determined by product category. We primarily sell whole grain, bean and other products under the consignment arrangement on these leading platforms which allows us to take a more proactive role in formulating and carrying out promoting activities across the large amount of SKUs of our whole grain, bean and other products to ensure the consistency in our product pricing, and e-commerce platforms do not engage in such pricing and promotion management work under the consignment arrangement cooperating with us. According to Frost & Sullivan, consignment arrangement is a market practice for companies in collaboration with certain e-commerce platforms, including established e-commerce platforms with extensive end-consumer outreach and strong brand equity. Under consignment arrangements, at the expiration of each settlement period, the platforms charge (i) a service fee of a certain percentage of transaction amount during such period, which varies depending on the product category; and (ii) fees for value-added services such as marketing and promotion, to the extent that we have used such services during such period. We recognize revenue when end-consumers confirm acceptance on the relevant e-commerce platforms. As of December 31, 2020, 2021, 2022 and March 31, 2023 our inventories kept at the premises of the e-commerce platforms on consignment were RMB9.6 million, RMB14.3 million, RMB17.8 million and RMB10.9 million, accounting for 1.5%, 1.4%, 1.3% and 0.9% of our total inventories, respectively.

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Below set forth key terms of our arrangement with comprehensive e-commerce platforms (including those under consignment arrangement).

- *Duration.* The duration of the agreement is typically one year.
- *Minimum purchase requirement.* We generally do not set any minimum purchase requirements.
- *Payment and credit terms.* E-commerce platforms periodically settle payments with us. Depending on the specific arrangements with the e-commerce platforms, we generally grant a credit period within 60 days.
- *Sales and performance targets.* We generally do not set sales targets for e-commerce platforms.
- *Pricing policy.* We generally sell our products through e-commerce platforms at price levels that have been mutually agreed by us and the e-commerce platforms, or at prices levels adopted by e-commerce platforms after considering our suggested retail price.
- *Logistics.* We are generally responsible for delivering our products to locations agreed between e-commerce platforms and us.
- *Transfer of risks.* The risks transfer to e-commerce platforms after they complete the inspection and confirm the receipt of our products. For consignment arrangements, the title to products and legal risks do not transfer to end-consumers until the products are sold and delivered to end-consumers and end-consumers, confirm receipt of products.
- *Return arrangement.* We typically do not allow product return except for limited reasons, including product quality issues, unmarketable goods, or products with low turnover rate. During the Track Record Period, we allowed unconditional product returns for certain reputable e-commerce platforms with a leading industry position, extensive consumer reach and high brand awareness, primarily due to their strong bargaining power. According to Frost & Sullivan, it is an industry norm for reputable e-commerce platforms to have an unconditional product return clause in their contracts with consumer goods companies like us.
- *Termination.* Either party generally has the right to terminate the contract with the other party if the other party breaches the sales and purchase agreement and fails to rectify such breach within a reasonable period of time.

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We also cooperate with community group buying platforms in order to leverage their extensive consumer reach and service capabilities in warehousing and logistics. Under such arrangement, we deliver the products to the designated warehouses under terms of our standard agreements generally according to the order volumes, and the platforms then deliver the products to the community groups' designated coordinators. Our business conducted on community group buying platforms is not of consignment nature. As of December 31, 2020, 2021 and 2022 and March 31, 2023, we collaborated with six, six, six and four community group buying platforms, respectively. Our revenue generated from community group buying platforms increased from RMB18.7 million in 2020 to RMB392.8 million in 2021, and further to RMB594.9 million in 2022, and increased from RMB108.5 million for the three months ended March 31, 2022 to RMB127.4 million for the three months ended March 31, 2023, primarily due to increasing customer demand for our products and our deepen penetration in emerging online channels. The salient terms of our standard agreements with community group buying platforms during the Track Record Period are set out below:

- *Duration.* The term of our contract is typically one year subject to renewal.
- *Services.* The community group buying platforms generally provide us with e-commerce trading platform services.
- *Service fees.* We generally pay community group buying platforms technical service fees for their value-added services including promotion, transportation and warehousing, the amount of which depends on our service usage amount.
- *After-sales service.* We are generally responsible for after-sales issues of the products sold.
- *Transfer of risks.* The risks generally are transferred after end-consumers confirm the receipt and acceptance of our products.
- *Termination.* The community group buying platforms are generally entitled to terminate the agreements without any payment in the event that (i) we breach our obligations as outlined in the rules of relevant platforms or our obligations, commitments or warranties as stated in the relevant agreements, or (ii) they give us prior written notice of such termination. We are generally able to terminate the agreement upon platforms' approval for our closing relevant account with no early payment indicated.

To the best of our knowledge, during the Track Record Period, all of our e-commerce platform partners were Independent Third Parties. To the best of our knowledge, our e-commerce platform partners or their respective associates have no past or present family, business, employment or financial relationship with us or our subsidiaries, shareholders, directors or senior management or any of their respective associates.

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### *Online Self-operated Stores*

We also establish and run our self-operated stores on third-party e-commerce platforms and sell our products directly to consumers. We believe that establishing direct sales relationships with consumers enables us to better gauge their feedback on our products, and to gain more timely and accurate consumer insights, thus facilitating our upgrades of products and sales strategies. We have self-operated stores across multiple e-commerce platforms in China, primarily including JD.com and Tmall. Meanwhile, we have also been actively seeking sales opportunities on emerging e-commerce platforms to adapt to evolving consumer behavior patterns. In particular, we have increased our efforts in social e-commerce and launched self-operated stores on pioneering social e-commerce platforms. As of December 31, 2020, 2021 and 2022 and March 31, 2023, we operated 38, 58, 48 and 53 self-operated stores, respectively. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we generated revenue of RMB263.9 million, RMB526.0 million, RMB486.9 million, RMB80.3 million and RMB100.2 million from online self-operated stores, respectively, representing 11.3%, 14.6%, 10.7%, 8.8% and 9.3% of our revenue during the same periods, respectively. We optimized our online store portfolio and reduced the number of our online self-operated stores from 58 as of December 31, 2021 to 48 as of December 31, 2022, taking into consideration their performance and our strategic operation adjustment. Our revenue generated from online self-operated stores decreased from RMB526.0 million in 2021 to RMB486.9 million in 2022, primarily due to (i) the adjustment of our product offerings on the e-commerce platforms; and (ii) the closure of our online self-operated stores. Our self-operated stores have been highly recognized on e-commerce platforms. In 2021, we won the Yearly Good Store (年度好店) and Yearly Store Growth (年度店舖成長) awards on JD.com, and the Excellent Self-broadcasting Store award (優秀店舖自播獎) on Tmall.

We generally enter into standardized framework agreements with e-commerce platforms with regard to our online self-operated stores on the e-commerce platforms. The key terms of the agreements primarily include:

- *Duration:* The term of our contract is generally one year, subject to annual renewal and platforms' requirements.
- *Scope of service:* E-commerce platforms generally provide us with technical support and system maintenance for online store management, including uploading product information, creating orders, managing transactions, completing payment and other services.
- *Service charges:* We generally pay e-commerce platforms variable service charges which is calculated by taking a prescribed percentage of the transaction amount of commodities recorded on the e-commerce platforms. The service charge rate is determined by the platform based on the industry category of the stores or the store types.
- *Payment:* Variable service charges are generally paid on real-time basis as set forth in the relevant agreements.
- *Termination:* The agreements will be terminated upon the expiration or by other means as set forth in the relevant agreements.

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### Grocery Retail Channels

In line with the developing landscape of the offline retail ecosystem, we have successfully established an extensive presence across our grocery retail channels. Our grocery retail channels mainly include NKAs and LKAs which provide our products to end-consumers. We have leveraged our experience in operating online sales networks to promptly establish our presence in nationwide grocery retail channels with our comprehensive service capabilities, efficient supply chain management and high brand awareness.

Since 2016, we have expanded our business into grocery retail channels, stated with our efforts to cover NKAs. With the experience gained in the cooperation with NKA, we have further extended the scope of cooperation to LKAs. The organic combination of NKA and LKA in our grocery retail channels enables us to reach a comprehensive base of consumers from different geographical regions. Shelf-display of our products at these well-known offline supermarkets can also further enhance our brand influence among consumers. As of December 31, 2020, 2021 and 2022 and March 31, 2023, we have established cooperation with 39, 70, 90 and 89 grocery retail channel partners respectively. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we generated revenue of RMB216.1 million, RMB404.0 million, RMB696.0 million, RMB101.9 million and RMB128.4 million from grocery retail channels, respectively, representing 9.3%, 11.2%, 15.4%, 11.2% and 11.9% of our revenue during the same periods, respectively.

The salient terms of our standard agreements with grocery retail channel partners during the Track Record Period are set out below:

- *Duration.* The duration of the agreement is typically one year.
- *Sales and performance targets.* We generally do not set minimum purchase requirements for grocery retail channel partners.
- *Payment and credit term.* We generally deliver products before receiving payments from our grocery retail channel partners. We generally grant a credit period of 0 to 60 days to our grocery retail channel partners. Depending on the specific arrangements with the grocery retail channel partners, our credit terms primarily include payment upon product acceptance, payment in accordance with billing cycles and payment before delivery.
- *Logistics.* We generally are responsible for the delivery of products to any address designated by our grocery retail channel partners.
- *Transfer of risks.* The risks transfer to grocery retail channel partners after they complete the inspection and confirm receipt of our products.

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- *Return arrangement.* We typically do not allow our grocery retail channel partners to return products except for limited reasons such as product quality issues. During the Track Record Period, we allowed unconditional product returns for certain reputable grocery retail channel partners that has leading industry position, wide market penetration and high brand awareness, primarily due to their strong bargaining power. According to Frost & Sullivan, it is an industry norm for reputable grocery retail channel operators to have an unconditional product return clause in their contracts with consumer goods companies like us. The level of product return from our grocery retail channel partners is immaterial.
- *Termination.* The agreements will be terminated upon expiration, or by other means as set forth in the relevant agreements.

To the best of our knowledge, during the Track Record Period, all of our grocery retail channel partners were Independent Third Parties. To the best of our knowledge, our grocery retail channel partners or their respective associates have no past or present family, business, employment or financial relationship with us or our subsidiaries, shareholders, directors or senior management or any of their respective associates.

### **Direct Customers**

During the Track Record Period, our direct customers mainly included catering companies, agricultural products companies, and other corporate and individual customers. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we generated RMB157.9 million, RMB307.2 million, RMB452.0 million, RMB77.9 million and RMB110.7 million from direct customers, respectively, representing 6.8%, 8.5%, 10.0%, 8.6% and 10.2% of our revenue during the same period, respectively. Such customers generally purchase our products for their business operations or internal employee benefits. Due to the high market demands for our products, we generally do not enter into long-term sales agreements with our direct customers. Instead, our direct customers generally place purchase orders with us on an order-by-order basis.

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### Distribution Network

We also cooperate with distributors to increase the accessibility of our products. As of March 31, 2023, we had 553 distributors. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we generated revenue of RMB103.6 million, RMB170.5 million, RMB240.8 million, RMB33.2 million and RMB64.9 million from distributors, respectively, representing 4.5%, 4.7%, 5.3%, 3.6% and 6.0% of our revenue during the same period, respectively. The table below sets out the total number of distributors and their movements for the periods indicated:

	Year ended December 31,			Three months
	2020	2021	2022	ended March 31, 2023
Number of distributors at the beginning of the period	108	204	356	602
Number of new distributors for the period <sup>(1)</sup>	122	177	298	47
Number of terminated distributors for the period <sup>(2)</sup>	26	25	52	96
Net increase/(decrease) in number of distributors for the period	96	152	246	(49)
Number of distributors at the end of the period	<u>204</u>	<u>356</u>	<u>602</u>	<u>553</u>

*Notes:*

- (1) New distributors refer to distributors that placed their first order with us in our system in a particular year or period.
- (2) Terminated distributors refer to those that did not purchase our products for a given year or period.

During the Track Record Period, we mainly engaged new distributors in line with our business expansion, as we strived to enlarge our sales network coverage to provide our products to more consumers. In 2020, 2021, 2022 and the three months ended March 31, 2023, we terminated cooperation with 26, 25, 52 and 96 distributors, respectively. The termination decisions were made based on a number of factors such as sales performance. The number of distributors terminated due to their poor sales performance was two, one, five and 15 in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively, and the number of distributors terminated for not purchasing our products during the respective periods was 24, 24, 47 and 81 in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively.



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The salient terms of our standard distribution agreements during the Track Record Period are set out below:

- *Duration.* The agreement generally has a term of one year.
- *Payment and credit terms.* We generally require our distributors to make payment before the delivery of products, and we generally do not grant credit terms to our distributors.
- *Minimum purchase requirements.* We generally do not set minimum purchase requirements with our distributors.
- *Pricing.* We are generally entitled to adjust our price level for products sold to distributors. We are also entitled to adjust our recommended retail prices.
- *Logistics.* We generally assign logistics companies to deliver our products to the addresses designated by distributors.
- *Transfer of risk.* The risks transfers to distributors after they complete the inspection and confirm receipt of our products.
- *Return arrangements.* We generally do not allow product return from distributors, except for limited reasons such as defective products.
- *Termination.* We generally have the right to terminate the agreement with distributors who breach the distribution agreement.

We maintain a buyer-seller relationship with our distributors. We value the management of our distributors, and maintain a good cooperative relationship with them. We select our distributors based on a number of factors, including their track record, sales experience, and reputation, among others. We also regularly evaluate our distributors on the basis of their sales performance and channel development ability.

We believe the risk of channel stuffing is low in our distribution network. We generally require full payment from distributors before product delivery. We generally do not allow returns of products sold to distributors, except for defective products. During the Track Record Period, we had not received any product return from our distributors. We generally do not set minimum purchase requirements, nor sales targets, and therefore distributors are not incentivized or obliged to purchase a any number of products exceeding the demands of their consumers. We seek to optimize our sales strategy on an ongoing basis to adapt to a changing market based on market intelligence collected by our sales and marketing teams.

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To our knowledge, during the Track Record Period, all our distributors were Independent Third Parties. We implement the same service guidelines and policies over all of our distributors. To our knowledge, our distributors, or their respective associates, do not have any past or present family, business, employment, or financial relationships with us or our subsidiaries, our shareholders, directors or senior management, or any of their respective associates.

### Coordination among Sales Channels

We normally examine and manage our operation across sales channels on a group level, and optimize those of our resources that are invested in different channels and platforms. To minimize cannibalization among different sales channels, we typically adopt the following measures:

- **Group level management.** To mitigate the risk of sales channel cannibalization at the group level, we have established and maintained the marketing center to oversee the sales channel management of our Group. It is responsible for coordinating the development and implementation of our sales channel management policies. It is also responsible for maintaining the effective execution of various measures such as product management, marketing activities, pricing strategies, customer management, and reporting mechanisms across our multichannel network.
- **IT system.** We utilize IT systems such as business mid-platform, ERP system, and CRM system to monitor customer orders, selling prices across our multichannel network, as well as promoter attendance and store visits.
- **Product differentiation.** We create differentiated brands and product categories in terms of price, design, specification and sales channels based on the development patterns of different channels and the needs of different target consumers. For example, we offer products with diversified packaging such as “China Chic Series” and “National Flower Series” in online channels, and we offer “Cold Dew Autumn Fragrance Series” products in grocery retail channels and distribution network.
- **Tailored marketing campaigns.** We formulate and carry out marketing campaigns and strategies by taking into account the performance of our overall online and offline sales networks, to avoid within-platform and cross-platform competition. For example, we usually carry out themed live broadcast events on social e-commerce platforms, immersive offline interactive campaigns at stores of our grocery retail channel partners, and sales events such as Double Eleven on comprehensive e-commerce platforms such as JD.com and Tmall.
- **Pricing control.** We provide suggested retail prices to, or negotiate pricing with, e-commerce platforms, grocery retail channel partners and distributors, to ensure the consistency of pricing among different sales channels.

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- ***Online channels management.*** We engage multiple online channels to display and sell our products to achieve high brand exposure and wide customer reach. Particularly, for comprehensive e-commerce platforms like JD.com and Tmall, on one hand, we sell products to JD Supermarket and Tmall Supermarket respectively, and on the other hand, we operate self-operated stores on these platforms. To maintain price alignment within our online channels, we (i) have implemented a uniform pricing mechanism for the suggested retail price the same products sold on different online stores operated by e-commerce platforms and our self-operated stores; (ii) have a designated team which has been constantly monitoring the prices of our products on different online channels, (iii) have differentiated the brands or products on different online channels, catering to different consumers' needs, and (iv) would align the promoting and marketing activities across the online channels especially with respect to the applicability and extent of discounts offering to target customers through different online channels precisely and deepen collaboration with our online channel partners. We will also communicate with such channels for relevant promoting and marketing activities to adjust pricing or align such promoting and marketing activities cross-channel. We do not completely control the specific implementation or execution of such activities.
- ***Grocery retail channels management.*** We provide our grocery retail channel partners with a national uniform recommended retail price. We have a dedicated team responsible for managing and monitoring selling prices of products on sales in the stores of our grocery retail channel partners. Our promotional rules and promotional activity execution plans for each grocery retail channel shall be reviewed by our relevant grocery retail channel management before implementation.
- ***Distribution network management.*** To prevent the unauthorized sales activities outside the designated regions, we constantly monitor the sales activities of our distributors. We grant specific geographical regions to our distributors so that we can reduce the degree of competition among different distributors. The distribution agreements we signed with distributors generally specify the types of products to be distributed and the designated geographic areas and generally prohibit the distributors from selling the products outside the respective designated geographical regions without our prior written consent.
- ***Reporting mechanism.*** We require our distributors and employees to report cannibalization they have identified. We are entitled to terminate the distribution agreements with those distributors that repeatedly engage in severe cannibalization or cross channel or cross region sales.

### Pricing

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.

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## BUSINESS

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### OUR PRODUCTION

#### Overview

In order to offer premium products to our consumers, we procure raw materials from renowned places of origin for grains. We have established long-term and stable relationships with a wide range of suppliers across product categories. Specifically, our core grain production areas include Shenyang Xinmin, Wuchang, Songyuan, Tonghe, and Aohan. The rice originating from Wuchang, and millet originating from Aohan, are China National Geographical Indication Products. We also purchase raw materials for whole grain, bean, dried food products from other renowned places of origin, including red beans from Daqing, Heilongjiang Province, mung beans from Inner Mongolia, and peanuts from Fuyu, Jilin Province.

Set forth below are the details of our core grain production areas in proximity to our production bases:

<b>Production Bases</b>	<b>Major Variety</b>	<b>Features of the area</b>
Shenyang Xinmin production base	Long grain rice series	Xinmin, Shenyang is located in the alluvial plain of Liao River and Hun River, featuring rich natural resources and suitable climate conditions. Xinmin also has the largest reserve of underground hot spring in Northeast China. The grey soil and meadow soil in Xinmin is conducive to rice cultivation. Moreover, the climate condition in Xinmin, including a frost-free period ranging from 147 days to 164 days, is beneficial for paddy growth.
Wuchang production base	Wuchang rice series	Wuchang, Heilongjiang is located in the alluvial plain of Songhua River and Nenjiang River. Wuchang, one of the most well-known production area for rice products, is recognized as the National Ecological Civilization Demonstration Area (國家生態文明先行示範區). Wuchang’s natural environment is conducive to agricultural production. In particular, Wuchang has black soil with an average thickness of approximately one meter, which is rich with nutrients required for rice growth. Wuchang also has abundant water resources including natural artesian water from high mountain snow and mountain spring. Specifically, one of its water resources for irrigation, the Mopan water reservoir, is also the source for drinking water in Harbin, the capital city of Heilongjiang. The frost-free period in Wuchang ranges from 110 days to 140 days. The average diurnal temperature variation during the rice filling period reaches 13°C, which is 5.5 °C higher than in the same latitude, with a maximum variation of 20°C. Widely recognized for its premium quality, taste and nutrition value, rice originating from Wuchang has been certified as China National Geographical Indication Product.

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<b>Production Bases</b>	<b>Major Variety</b>	<b>Features of the area</b>
Songyuan production base	Komachi rice	Songyuan is located in the alluvial plain of Songhua River and Nenjiang River and on the banks of the Songhua River with black soil. Songyuan is rich in water resources, with four rivers and one lake in the territory and a total of annual flow of 37.7 billion cubic meters. The annual average temperature in Songyuan is 5.6°C, and the average annual frost-free period is 152 days. In addition, Songyuan is also one of the largest distribution centers for whole grain and bean in China.
Tonghe production base	Long grain rice series	Tonghe, Heilongjiang is located in the hinterland of Songhua River. With the temperate monsoon climate, Tonghe has good atmospheric quality. Tonghe has premium black soil with an average of 80 cm thickness that is rich in nutrients and high in organic matter content, suitable for rice growth. Tonghe's water resources mainly include natural artesian water and water from Songhua River. Rice originating from Tonghe has been certified as China National Geographical Indication Product.
Aohan production base	Millet	Aohan, Chifeng, Inner Mongolia is a well-known dry and rainfed agricultural area. With soil rich in minerals, temperate monsoon climate four distinct seasons and abundant sunshine, Aohan is suitable for the growth of millet. Aohan millet mainly relies on natural water sources for irrigation with high accumulated temperature. The diurnal temperature variation in Aohan is large, which is conducive to the accumulation of dry matter in millet. Aohan is known as the "Hometown of Millets in the World", and millet originating from Aohan has been certified as China National Geographical Indication Product.

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### Our Production Process

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.

Key steps in the production process of our rice products are as follows:

- *Cleaning.* Put the raw grain into a universal cleaning machine to remove impurities, then put it into destoners to remove stones of approximately the same size and shape as the grain kernels, and then put it into magnetic separators to remove magnetic metallic substances.
- *Hulling.* Put the cleaned raw grain into hullers to remove hulls, then put it into paddy rice separators to separate hulled rice and paddy, and then put it into thickness graders to remove unripe grain.
- *Milling.* Put the hulled rice into multiple rice machines to remove grain bran, then put it into a plansifter to grade it into head rice, broken rice fractions, tips and bran; and then put it into rice cooling bins for cooling with natural ventilation.
- *Polishing.* Put the milled rice into polishing machines to remove the aleurone layer to obtain clean rice with a smooth surface.
- *Sorting.* Put the polished rice into sorting equipment to remove defective kernels and impurities.
- *Grading and finishing.* Put the sorted rice into plansifters and length graders for further grading, and then put it into finished rice bins.
- *Packaging.* Put the finished rice into automatic packing systems for filling, vacuuming and sealing, and then put it into coding machines to print the packaging.
- *Inspection and storage.* Inspect the products according to quality control standards (including the presence of metal impurities, net weight of the finished product, sealing quality), and then box them for storage in warehouses.

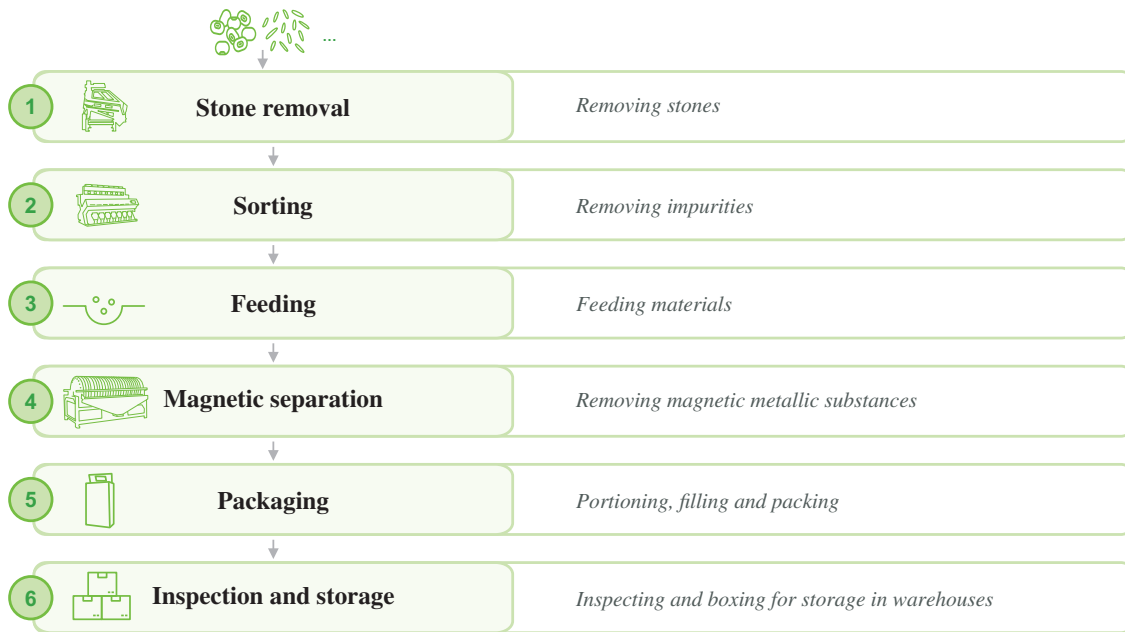
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Key steps in the production process of our whole grain, bean and other products, which are similar to those for our dried food products, are as follows:

- *Stone removal.* Put the raw materials into destoners to remove stones.
- *Sorting.* Put the raw materials into sorting equipment to remove impurities.
- *Feeding.* Feed the raw materials to each production line.
- *Magnetic separation.* Put the raw materials into magnetic separators to remove magnetic metallic substances.
- *Packaging.* Put the products into a scale weighing bagging baler for portioning, filling and packing.
- *Inspection and storage.* Inspect the products according to quality control standards (including the presence of metal impurities, net weight of the finished product, sealing quality), and then box them and put them into warehouses after checking.

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### Our Production Capacity

Our comprehensive value chain operation capabilities start with our competitive advantages in being located in proximity to renowned places of origin for raw materials. Through procurement of raw materials of premium quality, standardized production under strict quality control, we are able to provide consumers with premium products. As of March 31, 2023, we had established the following production bases in proximity to the five core grain production areas in China:

- **Shenyang Xinmin production base.** During the Track Record Period and up to the Latest Practicable Date, we primarily produced rice products, whole grain, bean and other products and dried food products at our Shenyang Xinmin production base.
- **Wuchang production base.** During the Track Record Period and up to the Latest Practicable Date, we primarily produced rice products at our Wuchang production base.
- **Songyuan production base.** Our Songyuan production base was put into operation in 2022. Since November 2022, and up to March 31, 2023, we primarily produced semi-finished goods for rice products at our Songyuan production base, and the annualized designed capacity for semi-finished goods of our Songyuan production base in 2022 and 2023 was 168.8 thousand tons, calculated upon the assumption that the production facilities operate 18 hours per day and 300 days per year. The utilization rate for our Songyuan production base was 28.0% and 17.0% for 2022 and the three months ended March 31, 2023, respectively, primarily due to that it



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takes time for us to ramp up utilization rate at the Songyuan production rate as the result of the short period of production and the generally low utilization rates in the first quarter of the year due to the effects of the Chinese New Year holiday.

- ***Tonghe production base.*** As of the Latest Practicable Date, the construction of our Tonghe production base was under progress, and we plan to further build the production lines therein.
- ***Aohan production base.*** Our Aohan production base began operation in 2022. Up to the Latest Practicable Date, we produced whole grain, bean and other products at our Aohan production base.

We measure our production capacity in terms of finished product processing capability. The designed capacity of each of our production bases cannot be utilized interchangeably among different types of products as different products generally require specifically designed sets of equipment for the entire production process. Our production capacity utilization is subject to the seasonality in the production of rice products, as production schedules of the companies in the rice industry are often planned in accordance with the cyclical harvest of raw materials in the fourth quarter of the year. According to Frost & Sullivan, this is in line with the market practice and the annual average maximum utilization rate in this industry generally does not exceed 80%. In addition, to meet consumers' needs for fresh products, we plan our production based on prediction of customer orders to manage our inventory level. Before peak consumption periods such as the Chinese New Year, we need sufficient production capacity to support the relevant high production demand. Therefore, except for in the events of such harvest seasons or peak consumption periods, we normally do not operate at the maximum designed production capacity throughout the year.

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The table below sets out the details of our designed production capacity, actual production volume, and utilization rate by product category for the periods indicated:

Product category	Year ended December 31,						Three months ended March 31,								
	2020		2021		2022		2022		2023		2023				
	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate			
Rice products	390.2	256.2	65.7%	765.0	440.7	57.6%	1,013.2	511.3	50.5%	233.0	87.9	37.7%	197.6	85.8	43.4%
Whole grain, bean and other products	40.5	29.4	72.6%	60.3	48.5	80.4%	102.6	61.3	59.7%	25.7	11.1	43.3%	25.7	11.3	43.9%
Dried food products	0.8	0.4	46.3%	1.4	0.9	66.2%	1.7	1.7	98.1%	0.4	0.2	55.8%	0.6	0.5	97.3%
<b>Total</b>	<b>431.4</b>	<b>285.9</b>	<b>66.3%</b>	<b>826.7</b>	<b>490.1</b>	<b>59.3%</b>	<b>1,117.5</b>	<b>574.2</b>	<b>51.4%</b>	<b>259.0</b>	<b>99.2</b>	<b>38.3%</b>	<b>223.8</b>	<b>97.6</b>	<b>43.6%</b>

*(Tons in thousand, except percentage)*

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*Notes:*

- (1) The designed capacity for the year/period is calculated based on the following assumptions: (i) all production lines are functioning at full capacity; (ii) we operate 300 days per year; (iii) our production facilities at our Shenyang Xinmin production base and Aohan production base operate 18 hours per day, those at our Wuchang production base operate 16 hours per day; and (iv) the average weight of our products is 5 kg.
- (2) The actual production during the year/period is the total volume of the products produced during that year/period.
- (3) The utilization rate during the year/period equals the actual production volume divided by the designed production capacity during the same year/period.
- (4) The designed capacity for our rice products increased from 2020 to 2022, primarily because we have actively expanded our production capacity to meet increased demands for our products by establishing and putting into operation more production lines during the same period. The designed capacity for our rice products decreased from the three months ended March 31, 2022 to the three months ended March 31, 2023, primarily because we have been in the process of maintaining and renovating certain of our production lines since January 2023. The utilization rate for our rice products decreased from 65.7% in 2020 to 57.6% in 2021, and then decreased to 50.5% in 2022, primarily due to the fast expansion in designed capacity and the reduction in production activities resulted from the temporary impact of the previous pandemic. See "Risk Factors – Our supply chain and our 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." The utilization rate for our rice products increased from 37.7% in the three months ended March 31, 2022 to 43.4% in the three months ended March 31, 2023, primarily due to the decrease in the designed capacity.
- (5) The designed capacity for our whole grain, bean and other products increased from 2020 to 2022, primarily because we have actively expanded our production capacity to meet increased demands for our products by (a) establishing and putting into operation new production lines, and (b) putting our Aohan production base, where we produce whole grain, bean and other products, into operation in 2022. The utilization rate for our whole grain, bean and other products increased from 72.6% in 2020 to 80.4% in 2021, primarily due to the increase in actual production volume, partially offset by the increase in the designed production capacity; and then decreased to 59.7%, primarily due to the fast expansion in designed capacity and the reduction in production activities resulted from the temporary impact of the previous pandemic. See "Risk Factors – Our supply chain and our 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." The designed capacity and utilization rate for our whole grain, bean and other products remained stable in the three months ended March 31, 2022 and 2023.
- (6) The designed capacity for our dried food products increased from 2020 to 2022 and from the three months ended March 31, 2022 to the three months ended March 31, 2023, primarily because we have actively expanded our production capacity to meet increased demands for our products by establishing and putting into operation new production lines to meet the increased market demands for our products. The utilization rate for our dried food products increased from 46.3% in 2020 to 66.2% in 2021, and then increased to 98.1% in 2022, and increased from 55.8% in the three months ended March 31, 2022 to 97.3% in the three months ended March 31, 2023, primarily due to the increase in actual production volume, partially offset by the increase in the designed capacity.
- (7) The utilization rates for our rice products, whole grain, bean and other products, and dried food products were relatively low in the three months ended March 31, 2022 and 2023, because the first three months per annum are not peak season of production.

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The table below sets out the details of our designed production capacity, actual production volume, and utilization rate by production base for the periods indicated:

Production base	Year Ended December 31,						Three months ended March 31,								
	2020			2021			2022			2023					
	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate			
Shenyang Xinmin production base	301.8	207.9	68.9%	639.5	366.1	57.3%	790.1	415.7	52.6%	197.5	76.3	38.6%	134.3	72.3	53.8%
Wuchang production base	129.6	78.0	60.2%	187.2	124.0	66.2%	295.0	150.0	50.9%	53.4	21.5	40.3%	81.4	24.1	29.6%
Aohan production base	-	-	-	-	-	-	32.4	8.6	26.5%	8.1	1.4	17.0%	8.1	1.2	14.7%
<b>Total</b>	<b>431.4</b>	<b>285.9</b>	<b>66.3%</b>	<b>826.7</b>	<b>490.1</b>	<b>59.3%</b>	<b>1,117.5</b>	<b>574.2</b>	<b>51.4%</b>	<b>259.0</b>	<b>99.2</b>	<b>38.3%</b>	<b>223.8</b>	<b>97.6</b>	<b>43.6%</b>

*(Tons in thousand, except percentage)*

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*Notes:*

- (1) The designed capacity of our Shenyang Xinmin production base increased from 2020 to 2022, primarily because we actively expanded our production capacity to meet increased demands for our products by establishing and putting into operation more production lines during the same period. The designed capacity of our Shenyang Xinmin production base decreased from the three months ended March 31, 2022 to the three months ended March 31, 2023, primarily because we have been in the process of maintaining and renovating certain of our production lines since January 2023. The utilization rate of our Shenyang Xinmin production base decreased from 68.9% in 2020 to 57.3% in 2021, and then decreased to 52.6% in 2022, primarily due to the fast expansion in designed capacity and the reduction in production activities resulted from the temporary impact of the previous pandemic. See “Risk Factors – Our supply chain and our 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.” The utilization rate of our Shenyang Xinmin production base increased from 38.6% in the three months ended March 31, 2022 to 53.8% in the three months ended March 31, 2023, primarily due to the decrease in the designed capacity.
- (2) The designed capacity of our Wuchang production base increased from 2020 to 2022 and from the three months ended March 31, 2022 to the three months ended March 31, 2023, primarily because we have actively expanded our production capacity to meet increased demands for our products by establishing and putting into operation more production lines during the same periods. The utilization rate of our Wuchang production base increased from 60.2% in 2020 to 66.2% in 2021, primarily due to the increase in actual production volume, partially offset by the increase in the designed production capacity, and then decreased to 50.9% in 2022, primarily due to the fast expansion in designed capacity and the reduction in production activities resulted from the temporary impact of the previous pandemic. See “Risk Factors – Our supply chain and our 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.” The utilization rate of our Wuchang production base decreased from 40.3% in the three months ended March 31, 2022 to 29.6% in the three months ended March 31, 2023, primarily due to the increase in designed capacity.
- (3) Our production capacity at Songyuan production base is not included, because we mainly produced semi-finished goods at our Songyuan production base since it was put into operation and up to March 31, 2023, which were subsequently transported to our other production bases for further processing.
- (4) Our production capacity at Tonghe production base is not included, because as of the Latest Practicable Date, the construction of our Tonghe production base was under progress.
- (5) Our Aohan production base was put into operation in 2022.
- (6) The utilization rates of our Shenyang Xinmin production base, Wuchang production base and Aohan production base were relatively low in the three months ended March 31, 2022 and 2023, because the first three months per annum are not peak season of production.

### **Our OEMs**

In order to better meet market demands and ensure adequate supply for our diversified product offerings, we cooperate with reliable OEMs to produce a portion of products primarily for dealing with short-term demand surges (e.g. during the rice harvest season) and for catering to certain of our customers’ demands for products manufactured with paddies from designated regions. We have strict criteria for selecting OEMs, including, among others, their credentials, management systems, production equipment, and production hygiene. We have established and implemented an OEM product quality management system. Our quality control department and procurement department collaborate closely to efficiently manage our OEM suppliers, thus ensuring that the products provided by our OEM suppliers meet our stringent quality requirements. Before initiating cooperation with new OEM suppliers, we conduct a thorough review of their business licenses, business permits, production licenses, external product inspection reports, management system certificates, product certifications, and other relevant documentation, and conduct background checks. We do not rely on any single OEM supplier, and we maintain good relationships with multiple OEM suppliers throughout the Track Record Period. We engage OEM suppliers on an annual basis and make orders, based on our demands and their delivery capabilities. We also require our OEM suppliers to comply with our internal

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guidelines and policies as well as relevant national standards throughout their procurement of raw materials and all crucial production processes involved in manufacturing our products. We are entitled to terminate cooperation upon contract breach or their non-compliance with our guidelines and policies.

The table below sets forth the breakdown of the production volume by producer during the Track Record Period:

	Year Ended December 31,						Three months ended March 31,			
	2020		2021		2022		2022		2023	
	<i>production</i> volume	%	<i>production</i> volume	%	<i>production</i> volume	%	<i>production</i> volume	%	<i>production</i> volume	%
	<i>(Tons in thousand, except percentage)</i>									
Attributed to our internal production	285.9	95.4%	490.1	87.1%	574.2	84.9%	99.2	93.0%	97.6	79.8%
Attributed to OEM production	13.7	4.6%	72.3	12.9%	102.5	15.1%	7.5	7.0%	24.8	20.2%
<b>Total</b>	<b>299.6</b>	<b>100.0%</b>	<b>562.4</b>	<b>100.0%</b>	<b>676.7</b>	<b>100.0%</b>	<b>106.7</b>	<b>100.0%</b>	<b>122.3</b>	<b>100.0%</b>

Our strategic layout of production capacities, including both internal production bases and OEMs, helps us to optimize our operation with flexibility. The production volume attributed to our internal production increased during the Track Record Period, primarily reflecting the increased demands for our products. During the Track Record Period, we have also generally expanded our designed production capacity in order to meet such increased market demands. The production volume attributed to OEM production increased from 7.5 thousand tons in the three months ended March 31, 2022 to 24.8 thousand tons in the three months ended March 31, 2023, primarily due to certain customers’ demands for products manufactured with paddies from designated regions, and we also leverage such increased engagement of OEM supplies in or near the same region to increase efficiency of delivery and control logistics costs. There is no direct correlation between the trend of the increase in our OEM production volume and the trend of the decrease in our production utilization rate from 2020 to 2022, which was primarily attributable to our continuous expansion of designed capacity. See “– Our production Capacity.”

As expanding in-house production capabilities is crucial for us in the long run to manage our production and supply chain, better meet growing customer demands and control costs, we plan to continuously expand our internal production capacities as the primary approach to meet the market demands for our products. See “– Our Production Expansion Plan.” OEMs will continue to be the supplementary approach for us to address demands such as short term demand surge or demands for products from certain designated areas if feasible.

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The salient terms of the standard agreements with our OEM suppliers during the Track Record Period are set forth as below:

*Term.* One year in general.

*Principal rights and obligations of parties involved.* We specify the product name, specification, unit price, quantity, delivery timeline and other detailed items in each purchase order we send to our OEM suppliers from time to time. Our OEM suppliers are obliged to produce products that meet our requirements.

*Payment and delivery.* We are responsible for timely payment of the consigned processing fee to the OEM suppliers, who are responsible for delivery at our designated location.

*Further subcontracting.* Further subcontracting is generally not allowed.

*Product returns.* We may return products to OEM suppliers for reasons such as quantity shortage in delivered products, product deterioration or quality issues.

*Rescission.* We have the right of rescission if the products provided by the OEM suppliers are of substandard quality, such as non-conformity with our specification.

### **Production Techniques**

To enhance our capability to produce premium products, we are committed to high standards of food safety and quality requirements by adopting standardized production and internal control systems and advanced production techniques to effectively implement controls and prevent food safety hazards at all steps in the production of our products. We adopt advanced production machinery and equipment to ensure the efficiency, standardization and automation of our production. For example, we have adopted Swiss intelligent control systems to monitor our entire production line and to ensure that our production at different stages, from materials feeding to product filling, meets the various requirements for different categories of products. We have implemented ultraviolet optical sorters, which have a higher impurity rejection rate than that of infrared radiation optical sorters, to effectively ensure food safety. Our production processes are strictly in compliance with applicable Chinese laws and regulations, and national and industrial standards in relation to food production and sales. See “– Food Safety and Quality Control.”

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### Our Critical Machinery and Equipment

To maximize our production efficiency, and ensure timely delivery of our products, we have equipped our production facilities with advanced automated production machinery and equipment to achieve intelligent, modularized and flexible production. We purchase various machinery, equipment and parts from third parties that are then assembled in-house, including, but not limited to, advanced machinery and equipment imported from Switzerland and the UK. Critical machinery and equipment used in our production include the below:

- Intelligent control system, which integrates production data into the control system to achieve whole process control of each machine and equipment of multiple production lines, including start, stop and troubleshooting.
- Rice huller, which is used to remove the outer husks of the paddy via gentle rubbing, after which the husk aspirator separates the husk from the rice by air aspiration.
- Automatic optimal sorter, which is used to remove defective kernel and impurities from rice. We use the SG6 ultraviolet color sorter in the last color sorting process in our production, which can automatically adjust the resolution ratio to effectively remove foreign matter from rice, thus ensuring food safety.
- Polishing machine, which is used to remove the aleurone layer from rice to increase the brightness and extend the shelf life of our products.

Our critical production machinery and equipment generally have useful lives of approximately 10 years. Based on our experience, such useful lives may be extended for longer period with appropriate repair and maintenance. In determining the useful life and residual value of our production machinery and equipment, we consider various factors, such as changes in market demand, production process and techniques and expected usage of the production machinery and equipment. The estimation of the useful life of production machinery and equipment is generally based on our experience with similar production machinery and equipment that are used in a similar way. As of March 31, 2023, the average remaining useful life and replacement cycle of our critical machinery and equipment was approximately 9.05 years.

To maintain efficient operation of our critical production machinery and equipment, we conduct regular inspections, maintenance and repairs in accordance with our internal standards. Such internal standards are formulated by taking into account the technical, engineering and other specific requirements and procedures set out in the operation manual of the relevant production machinery and equipment, and the actual workflow in our production. These measures are in place to avoid stoppage due to unexpected failure, and to maximize our production efficiency.



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### Our Production Expansion Plan

According to Frost & Sullivan, in terms of revenue, the market size of China’s pantry staple food market is expected to continue to grow in the future and reach RMB2,195.7 billion by 2027, with a CAGR of 3.3% from 2022 to 2027. The increasing demand in the market has encouraged the growth of a larger variety of brands and products. In order to facilitate our long term business development in this growing market, we plan to further expand our production capacity at our existing production bases.

The table below sets out the details of our further production expansion plan:

Production Base	Product Category	Newly Extended Designed Annual Production Capacity	Estimated Year of Completion	Estimated Investment	Status as of the Latest Practicable Date
		<i>(tons in thousand)</i>		<i>(RMB in millions)</i>	
Shenyang Xinmin production base	rice products, and whole grain, bean and other products	113	2025	520.0	production lines are in the overall layout planning stage and a state-owned construction land use right certificate has been obtained
Wuchang production base	rice products, and whole grain, bean and other products	185	2024	201.0	under planning
Songyuan production base	rice products, and whole grain, bean and other products	149	2026	106.0	under planning
Tonghe production base	rice products, and whole grain, bean and other products	205	2025	123.3	under planning
Aohan production base	whole grain, bean and other products	185	2025	92.5	production lines are in the overall layout planning stage and a land grant contract has been signed

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We intend to utilize a combination of net [REDACTED] generated from the [REDACTED] and our own funds generated from business operations to finance each of our production expansion plans. See "Future Plans and Use of [REDACTED]."

### **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.

The prices of our raw materials may fluctuate with market conditions, because of various factors, including supply and demand, and our bargaining power. We do not engage in hedging activities related to the risk exposures in connection with the price of our raw materials, and we may face price fluctuations. We collaborate with multiple suppliers from renowned places of origin for grains to reduce the risks of raw material shortage risks. See "– Suppliers".

#### **Our Raw Materials**

The key raw materials for most of our products are paddy. In addition, our raw materials also include whole grain and bean such as millet, red beans, and mung beans, dried food such as wood ear mushrooms, snow fungus mushroom and lotus seeds, and other raw materials such as corn. We procure most of our raw materials from renowned places of origin for grains in Northeast China. See "– Our Production." We only accept qualified raw materials. We have established and implemented paddy quality acceptance standards to ensure consistent product quality. We set up sensory, physical and chemical, and sanitary indicators for paddy with reference to national standards, detailing our paddy procurement standards. We require all raw materials to meet the standards set by competent Chinese government authorities and our quality standards.

During the Track Record Period, we primarily procure from three types of industry participants, which are mainly located in or near renowned sources of regions, to ensure consistent quality and quantity of raw materials for our business, namely farmers, grain suppliers and farmers cooperatives. According to Frost & Sullivan, such industry participants are common suppliers for agricultural raw materials in China. We implement same quality control standards across different types of suppliers to ensure the quality of our raw materials. We secure consistent and quality supply of raw materials for us via multiple approaches including payment of deposit to our suppliers, responsible sourcing, and establishing long-term relationship with suppliers. In particular, we usually pay deposits to selected suppliers who

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provide high quality raw materials to secure fixed amount of supply. Such deposit can be utilized to offset our purchase payments and should be replenished once depleted. During the Track Record Period, we have also prepaid deposit to participate in paddy auctions. According to Frost & Sullivan, such approach is in line with industry practice.

- *Farmers.* Most of our suppliers during the Track Record Period were farmers. We purchase from individual farmers based in or in the vicinity of rural villages in renowned sources of regions and also engage farmers for contract farming. During the Track Record Period, we have primarily conducted contract farming in or near areas such as Shenyang and Wuchang. We mainly conducted contract farming via framework agreements with farmers that either stipulated fixed procurement amount of paddy or fixed size of farming land area.
- *Grain suppliers.* We purchase from grain suppliers, which are mostly companies specialized in sourcing, purchasing, storing and distributing paddy or other raw materials.
- *Farmers cooperatives.* We purchase from farmers cooperatives as well, which are generally voluntary organizations formed by farmers.

We typically enter into framework procurement agreements or one-off procurement agreements with our suppliers of raw materials, the salient terms of which during the Track Record Period are set out below:

- *Duration.* The duration of framework procurement agreements is typically one year. We generally do not specify duration in one-off procurement agreements.
- *Quantity and price.* We generally do not specify quantity and price in framework procurement agreements, which are generally set in subsequent orders. We generally specify variety, quantity and price in one-off procurement agreements.
- *Logistics.* The suppliers are typically responsible for delivering their products to our designated warehouses, and they shall bear the delivery charges.
- *Acceptance requirements.* We usually specify the requirements of raw materials and the criteria for verification and determination.
- *Payment.* We typically make payment on or before delivery.
- *Termination.* We are generally entitled to request return of payments made, make claims for liabilities and/or terminate the procurement agreements if our suppliers breach the procurement agreements.

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### **Our Packaging Materials**

Product packaging is also important to our food safety and product quality. Our packaging materials include, among others, packaging bags and woven bags. We mainly procure packaging materials from third-party suppliers in China. Our packaging material procurement agreement contains price terms and estimation of purchase volume, while the actual purchase volume is determined by the purchase orders that we send to our suppliers. We require all packaging materials to meet the standards set by competent Chinese government authorities and our quality standards. If the price of packaging materials fluctuates significantly, we will conduct new bid invitations to control costs.

### **Suppliers**

To maintain the stability of our supply chain and the quality of raw materials, we maintain good relationships with agriculture raw material producer, farmers cooperatives and small-scale farmers based on our good credit history, stable procurement demand and good business reputation. If raw materials or products provided by suppliers fail to meet national, or our own, standards, or our policies, we are generally entitled to terminate cooperation with them. In the event of a quality issue with our products caused by our supplier's substandard products, our suppliers shall be liable for compensation. Our major suppliers are raw materials suppliers and grain production and processing companies. During the Track Record Period, and up to the Latest Practicable Date, we had not experienced any material quality problems with the raw materials from our suppliers, or any shortage of 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.

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The following tables set forth the details of our five largest suppliers by purchase amount for the respective year or period:

Year ended December 31, 2020									
No.	Suppliers	Background	Products/ services provided to us	Purchase amount  <i>(RMB thousands)</i>	% of total purchase amount	Year of commencement of business relationship with us	Credit terms granted by such such supplier	Year of establishment	Scale of operations <sup>(2)</sup>  <i>(RMB billions)</i>
1	Supplier B	a company engaged in grain purchase, processing and sales	paddy and semi-finished rice	189,600	8.4	2017	advance payment/pay as goods received	2008	N/A
2	Company A <sup>(1)</sup>	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	transportation services and promotional services	114,972	5.1	2013	advance payment/30 days after service received	2006	1,000-5,000
3	Supplier C	a company engaged in grain purchase, processing and sales	paddy and semi-finished rice	81,236	3.6	2019	advance payment/pay as goods received	2018	N/A
4	Supplier D	a company engaged in grain purchase, processing and sales	paddy and semi-finished rice	64,131	2.9	2015	advance payment/pay as goods received	2012	N/A
5	Supplier E	a company engaged in grain purchase, processing and sales	paddy and semi-finished rice	48,190	2.1	2018	pay as goods received	2014	N/A

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Year ended December 31, 2021									
No.	Suppliers	Background	Products/ services provided to us	Purchase amount  <i>(RMB thousands)</i>	% of total purchase amount	Year of commencement of business relationship with us	Credit terms granted by such such supplier	Year of establishment	Scale of operations <sup>(2)</sup>  <i>(RMB billions)</i>
1	Supplier F	a company engaged in grain purchase, storage, transport, processing, and sales	paddy	302,493	8.2	2018	pay as goods received/advance payment	2000	N/A
2	Company A <sup>(1)</sup>	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	transportation services and promotional services	196,786	5.4	2013	advance payment/30 days after service received	2006	1,000-5,000
3	Supplier G <sup>(3)</sup>	a group of farmers cooperatives engaged in grain cultivation, purchase and sales	paddy	73,012	2.0	2018	advance payment	2018	N/A
4	Supplier C	a company engaged in grain purchase, processing and sales	paddy and semi-finished rice	70,156	1.9	2019	advance payment/pay as goods received	2018	N/A
5	Supplier E	a company engaged in grain purchase, processing and sales	semi-finished rice	50,012	1.4	2018	pay as goods received	2014	N/A

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Year ended December 31, 2022									
No.	Suppliers	Background	Products/ services provided to us	Purchase amount  <i>(RMB thousands)</i>	% of total purchase amount	Year of commencement of business relationship with us	Credit terms granted by such such supplier	Year of establishment	Scale of operations <sup>(2)</sup>  <i>(RMB billions)</i>
1	Supplier F	a company engaged in grain purchase, storage, transport, processing, and sales	paddy	194,456	4.8	2018	pay as goods received/advance payment	2000	N/A
2	Company A <sup>(1)</sup>	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	transportation services and promotional services	161,915	4.0	2013	advance payment/30 days after service received	2006	1,000-5,000
3	Supplier D	a company engaged in grain purchase, processing and sales	paddy and semi-finished rice	82,958	2.0	2015	advance payment/pay as goods received	2012	N/A
4	Supplier H	a company engaged in grain purchase, processing and sales	semi-finished rice and rice products	57,432	1.4	2021	pay as goods received	2018	N/A
5	Supplier I	a company engaged in grain purchase, processing and sales	paddy	49,988	1.2	2020	advance payment/pay as goods received	2019	N/A

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The three months ended March 31, 2023

No.	Suppliers	Background	Products/ services provided to us	Purchase amount  (RMB thousands)	% of total purchase amount	Year of commencement of business relationship with us	Credit terms		Year of establishment	Scale of operations <sup>(2)</sup>  (RMB billions)
							granted by such such supplier	such such supplier		
1	Company A <sup>(1)</sup>	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	transportation services and promotional services	45,552	6.1	2013	advance payment/30 days after service received	2006	1,000-5,000	
2	Supplier I	a company engaged in grain purchase, processing and sales	paddy	45,232	6.1	2020	advance payment/pay as goods received	2019	N/A	
3	Supplier F	a company engaged in grain purchase, storage, transport, processing and sales	paddy	42,305	5.7	2018	pay as goods received	2000	N/A	
4	Supplier H	a company engaged in grain purchase, processing and sales	semi-finished rice and rice products	24,448	3.3	2021	pay as goods received/advance payment	2018	N/A	
5	Supplier J	a company engaged in grain purchase, processing and sales	semi-finished rice and paddy	15,347	2.0	2021	pay as goods received	2016	N/A	

*Notes:*

- (1) Company A is a listed company, in which one of our Directors held shareholding interest of less than 0.1% as of the Latest Practicable Date and served as a member of the management of Company A prior to Track Record Period.



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- (2) Scale of operation refers to the range of consolidated revenue based on the relevant suppliers’ annual reports for 2022 and such information is not accessible for unlisted companies.
- (3) Supplier G is a group of farmers cooperatives controlled by Mr. Zhao Wenchen, a connected person of the Company, which had been dissolved in 2022. See “Financial Information – Material Related Party Transactions” and Note 30 of Appendix I to this document. During the Track Record Period, we purchased paddy from Supplier G primarily due to (i) the increasing customer demands for our products during the Track Record Period, especially in 2021 when we recorded a significant increase in our total revenue of 54.6% from 2020, (ii) our strategic expansion to enhance our procurement capability to cover rural villages in Wuchang and Shenyang, (iii) shorter time and higher efficiency in procurement when purchasing through farmers cooperatives such as Supplier G compared with transacting directly with each individual farmer in the respective rural villages, and (iv) Supplier G’s better understanding of our procurement requirements such as those on quality of raw materials. During the Track Record Period, the prices of the paddy at which Supplier G sold to us were generally in line with the prevailing local market price, and such prices were similar to those offered by independent suppliers.

Save as disclosed in the section headed “Business – Raw Materials, Packaging Materials and Major Suppliers – Suppliers”, as of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or, to the knowledge of the Directors, had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each year or period during the Track Record Period.

## 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.

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The following tables set forth the details of our five largest customers by revenue for the respective year or period:

Year ended December 31, 2020									
No.	Customers	Background	Products sold	Revenue	Year of commencement		Credit terms granted to such customer	Year of establishment	Scale of operations <sup>(2)</sup>
					% of our total revenue	of business relationship with us			
				<i>(RMB thousands)</i>					<i>(RMB billions)</i>
1	Company A <sup>(1)</sup>	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	rice products, whole grain, bean and other products, dried food and other products	984,097	42.3	2011	0-14 days	2006	1,000-5,000
2	Customer B	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	rice products, whole grain, bean and other products, dried food and other products	653,246 <sup>(3)</sup>	28.0	2013	0-60 days	1999	100-1,000
3	Customer C	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	45,574	2.0	2018	pays as goods received	2016	N/A
4	Customer D	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	33,759	1.5	2018	7-40 days	2015	100-1,000
5	Customer E	a company operating chain supermarkets	rice products, whole grain, bean and other products, dried food and other products	16,825	0.7	2020	15 days	2001	10-100

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Year ended December 31, 2021									
No.	Customers	Background	Products sold	Revenue	Year of commencement		Credit terms granted to such customer	Year of establishment	Scale of operations <sup>(2)</sup>
					% of our total revenue	of business relationship with us			
				(RMB thousands)					
1	Company A <sup>(1)</sup>	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	rice products, whole grain, bean and other products, dried food and other products	1,011,428	28.1	2011	0-14 days	2006	1,000-5,000
2	Customer B	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	rice products, whole grain, bean and other products, dried food and other products	746,057	20.7	2013	0-60 days	1999	100-1,000
3	Customer D	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	135,358	3.8	2018	7-40 days	2015	100-1,000
4	Customer C	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	102,361	2.8	2018	pays as goods received	2016	N/A
5	Customer E	a company operating chain supermarkets	rice products, whole grain, bean and other products, dried food and other products	73,128	2.0	2020	15 days	2001	10-100

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Year ended December 31, 2022									
No.	Customers	Background	Products sold	Revenue	Year of commencement		Credit terms granted to such customer	Year of establishment	Scale of operations <sup>(2)</sup>
					% of our total revenue	of business relationship with us			
				(RMB thousands)					(RMB/USD billions)
1	Company A <sup>(1)</sup>	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	rice products, whole grain, bean and other products, dried food and other products	1,217,145	26.9	2011	0-14 days	2006	RMB1,000- RMB5,000
2	Customer B	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	rice products, whole grain, bean and other products, dried food and other products	822,710	18.1	2013	0-60 days	1999	RMB100- RMB1,000
3	Customer D	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	204,963	4.5	2018	7-40 days	2015	RMB100- RMB1,000
4	Customer E	a company operating chain supermarkets	rice products, whole grain, bean and other products, dried food and other products	151,910	3.4	2020	15 days	2001	RMB10- RMB100
5	Customer F	a company operating chain supermarkets	rice products, whole grain, bean and other products, dried food and other products	96,680	2.1	2021	pays as goods received	2003	USD10- USD100

## BUSINESS

The three months ended March 31, 2023

No.	Customers	Background	Products sold	Revenue <i>(RMB thousands)</i>	% of our total revenue	Year of commencement	Credit terms granted to such customer	Year of establishment	Scale of operations <sup>(2)</sup> <i>(RMB/USD billions)</i>
						of business relationship with us			
1	Company A <sup>(1)</sup>	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	rice products, whole grain, bean and other products, dried food and other products	318,957	29.5	2011	0-14 days	2006	RMB1,000- RMB5,000
2	Customer B	a company primarily engaged in retail commerce and operates a leading e-commerce platform in China	rice products, whole grain, bean and other products, dried food and other products	187,363	17.3	2013	0-60 days	1999	RMB100- RMB1,000
3	Customer D	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	66,297	6.1	2018	7-40 days	2015	RMB100- RMB1,000
4	Customer E	a company operating chain supermarkets	rice products, whole grain, bean and other products, dried food and other products	31,172	2.9	2020	15 days	2001	RMB10- RMB100
5	Customer F	a company operating chain supermarkets	rice products, whole grain, bean and other products, dried food and other products	19,177	1.8	2021	pays as goods received	2003	USD10- USD100

*Notes:*

- (1) Company A is a listed company, in which one of our Directors held shareholding interest of less than 0.1% as of the Latest Practicable Date and served as a member of the management of Company A prior to Track Record Period.
- (2) Scale of operation refers to the range of consolidated revenue based on the relevant customers' annual reports for 2022 and such information is not accessible for unlisted companies.
- (3) Our revenue from Customer B in 2020 includes full year revenue from Customer B's subsidiary acquired in 2020.

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Save as disclosed in the section headed “Business – Customers”, as of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned, or to the knowledge of Directors had owned, more than 5% of our issued share capital) had any interest in any of our five largest customers in each year or period during the Track Record Period.

We generate a big portion of our revenue from our cooperation with certain e-commerce platforms. Such e-commerce platforms enjoy a leading industry position, wide consumer outreach and high brand awareness, with strong marketing, logistics and customer service capabilities, and often serve as a crucial portal for consumers to purchase pantry staple food products, according to Frost & Sullivan. We have established long-term cooperation with such e-commerce platforms. In addition, we directly sell our products via self-operated stores on these platforms. Aside from seizing the growth opportunities from such e-commerce platforms for our business expansion, we have actively expanded our multichannel sales network to increase our brand and product visibility, to enlarge our consumer reach, and to capitalize the growth opportunities from emerging sales channels. See “Risk Factors – Risks Relating to Our Business and Industry – We mainly rely on e-commerce platforms to market and sell of our products online. If the 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.”

Company A, one of our top five customers in each year or period during the Track Record Period, was also among our top five suppliers in each year or period during the Track Record Period. Company A is a company operating e-commerce platforms and other businesses in China. During the Track Record Period, we primarily provided rice, whole grain, bean and dried food products to Company A, and our purchases from Company A primarily consisted of transportation services and promotional services. According to Frost & Sullivan, it is market practice for consumer goods companies to purchase transportation services and promotional services when such e-commerce platforms also sell products to end-consumers.

In 2020, 2021, 2022 and the three months ended March 31, 2023, revenue derived from Company A amounted to RMB984.1 million, RMB1,011.4 million, RMB1,217.1 million and RMB319.0 million, respectively, accounting for 42.3%, 28.1%, 26.9% and 29.5%, respectively, of our total revenue for the corresponding periods. In 2020, 2021, 2022 and the three months ended March 31, 2023, purchases from Company A amounted to RMB115.0 million, RMB196.8 million, RMB161.9 million and RMB45.6 million, respectively, accounting for 5.1%, 5.4%, 4.0% and 6.1%, respectively, of our total purchase amount for the corresponding periods.

Our Directors are of the view that our sales to and purchase from Company A are conducted in the ordinary course of business under normal commercial terms in line with market practice on an arm’s length basis after due and careful consideration.

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### 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. We have also formulated product recall procedures. As a result of our commitment to stringent food safety and product quality, during the Track Record Period and up to the Latest Practicable Date, (i) we had not been subject to any material administrative or other penalties from the Chinese government authorities in connection with food safety or product quality, (ii) we had not received any order to undertake any mandatory product recalls as required by any government authorities, (iii) we had not undertaken any material voluntary product recalls, (iv) we had not experienced any incidents related to material product liability exposure, and (v) we had not been involved in any material dispute with consumers in connection with product quality.

#### Procurement Quality Control

To ensure the quality of our raw materials and packaging materials, we have implemented the supplier admission, assessment and elimination system, and have established a supplier catalogue. We take a holistic approach in selecting and assessing our suppliers, taking into consideration factors including product quality, production capacity, working conditions and supply chain management capabilities. We also conduct site visits to our suppliers from time to time. We have adopted strict standard operating procedures for raw material admission. We inspect raw materials and packaging materials that arrive at our production bases, and only those that meet national standards and our procurement standards can be accepted. If the raw materials or packaging materials fail to meet such standards as set out in the procurement agreements, we are entitled to terminate the procurement agreements and claim for damages.

#### Production Process Quality Control

We regularly conduct comprehensive equipment inspections and set up control points for food safety and product quality for all key stages throughout the production process. Our production processes are strictly in compliance with applicable Chinese laws and regulations, and national and industrial standards in relation to food production and sales, including, but not limited to, ISO 9001 quality management system certification, HACCP system certification and FSSC 22000 food safety certifications. We regularly conduct product assessments or send our sample products for third-party quality checks.

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We require our personnel involved in production activities to follow strict hygiene standards. Our production personnel are required to change into clean work clothes, including hats and shoes, and thoroughly clean themselves before entering the production area. We also make sure that we use and maintain our equipment and machinery in accordance with their respective detailed cleaning and sterilization requirements depending on function and usage, in order to ensure product safety.

### **Finished Products Quality Control**

Our quality control team is also responsible for quality management during the whole process of storage, delivery and sales of our products. The team is responsible for management and supervision of product quality at various stages from storage and transportation to sales, so as to ensure that our products are stored, transported and sold in good condition, and to avoid quality issues arising during the course of delivery such as those arising from overheating and impact damage during transportation or food safety issues arising due to other adverse situations.

We regularly conduct randomized sampling checks on our products sold in the market so as to fully keep track of the quality status of our products during their life cycles, identify potential risk exposures and ensure consistent quality of our products. In addition, we have product recall procedures to control risks arising from food safety issues. We also strive to maintain timely communication with consumers through our after-sales service mechanism to ensure timely problem identification, internal investigation and risk control once problems or risks related to product quality are detected. See “– After Sales Service.”

### **AFTER SALES SERVICE**

We have a dedicated consumer service team to ensure timely responses to our consumers' communications, which we believe helps us reinforce our stringent quality control standards and instills consumer confidence in our products. We utilize various feedback mechanisms including consumer service hotlines and online consumer service support. Our consumer service team keeps records of inquiries, feedback and complaints, and the results of any investigations or resolution measures. In addressing consumers' complaints, we undertake to communicate and liaise with consumers in a timely manner and to commence quality investigation procedures if necessary. During the Track Record Period and up to the Latest Practicable Date, we had not received complaints from consumers that may have material and adverse effects on our operation or business reputation.

We comply with relevant Chinese consumer protection laws with respect to policies on the return of merchandise. For example, for products we sell through online self-operated stores, we generally accept product returns or replacement requests, regardless of whether there is any product defect, within seven days of receipt of the product. Where a consumer wishes to return the purchased product, he or she may submit the return request on the relevant e-commerce platform on which we have self-operated stores within the specified time frame. Once the products are returned to us, we will inspect the returned items and destroy the



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products if defective. During the Track Record Period, we allowed unconditional product returns for certain customers such as reputable e-commerce platforms and grocery retail channel partners, and the value of products returned by such customers accounted for less than 1% of our total revenue generated from such customers. Specifically, such customers mainly consist of our top five customers during the Track Record Period, including Company A, Customer B, Customer E and Customer F. See “– Customers.”

### LOGISTICS

During the Track Record Period, the majority of our product transportation was provided by third-party logistics service suppliers, while we also operated our own logistics team to support the tracking of goods in transit and the management of any unexpected events. We usually maintain long-term cooperation with our suppliers and enter into strategic service agreements with some of them.

We systematically plan our transportation means and routes to optimize efficiency and reduce logistics costs, and we closely monitor our whole logistics process to ensure optimal logistics performance.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any logistics issues that may have material and adverse effects on our business operations.

### INVENTORY MANAGEMENT

Our inventories primarily comprise raw materials, finished products, packaging materials and semi-finished products, among which raw materials and finished products account for the majority of our inventory. See “Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position – Inventories.” Strict and effective inventory management is essential for us to reduce the risks associated with deterioration of our raw materials, semi-finished products and finished products.

We implement policies and guidelines setting out warehousing requirements, which are established according to relevant industry standards such as the ISO 9001 quality management system certification. We store our inventories in areas with suitable storage environments according to different warehousing requirements. Our temperature and humidity controlled warehouses are equipped with lighting and ventilation facilities. We regularly monitor and adjust the temperature and humidity of each storage area to meet warehousing requirements.

We have established and implemented a raw material inventory management system to ensure the inventory quality and food safety. Our raw material warehouse management department, quality control department and finance department collaborate closely to monitor and manage our inventory efficiently by using our ERP system. We conduct a thorough inventory of our raw materials on a monthly basis, so that we can promptly address any

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shortages or damages identified. Prior to feeding, all raw materials undergo thorough inspections, and any items that have exceeded their shelf life or are found to be non-conforming are promptly disposed of.

Our inventories are stored in our own warehouses near our production bases in Shenyang Xinmin, Wuchang, Songyuan, Tonghe and Aohan. Our finished products are transported to our five RDCs in Shanghai, Tianjin, Chengdu, Shenyang and Dongguan or our ten local warehouses for further delivery, or directly transported to our customers' warehouses pursuant to our contractual arrangements. We destroy products with quality issues or those that are close to or have their passed expiration dates to ensure our product quality.

### INFORMATION TECHNOLOGY

Information technology ("IT") is fundamental to our competitiveness and efficient operations. The IT systems we utilize cover various aspects of our operations, including raw materials supply, production, operation and logistics. Our IT team is responsible for developing and maintaining IT systems in line with our business expansion and customizing them to meet our business needs. Primary IT systems we utilize are set out below:

- **Our proprietary supply chain management system:** We have developed and implemented a supply chain management system to integrate resources along the supply chain, align value propositions with the aim to decrease our upfront costs, and establish and maintain mutually beneficial business relationships. We have developed most of the functional modules in-house based on our business needs, including inventory monitoring, order management, and transaction volume prediction, to aid our decision-making.
- **ERP system:** We utilize the enterprise resource planning ("ERP") system to effectively manage our orders from consumers. The ERP system integrates both online and offline orders and enables us to monitor the status of the orders, from the acceptance of the orders to the completion of their delivery, in real time.
- **TMS:** We utilize the transportation management system ("TMS") to plan and monitor our logistics. Leveraging the TMS, we plan our means and routes of transportation efficiently. It enables us to monitor the transportation of raw materials and products to avoid late delivery and control our logistics at a lower cost.
- **CRM system:** We utilize the customer relationship management ("CRM") system for marketing management system establishment and multichannel marketing coordination to increase the efficiency of our sales and marketing activities.
- **Cloud office system:** We utilize the cloud office system to improve the efficiency of internal communication among our staff.

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- **OA system:** We utilize the office automation (“OA”) system to manage our financial and tax issues. It enables us to control our expenses and declare tax online. It also facilitates finance-related processes for employees such as reimbursement.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material IT system failure or downtime that had a material adverse effect on our business operations.

### DATA PRIVACY AND SECURITY

We are committed to complying with data protection and privacy laws and protecting data security.

In providing our products, we may come into contact with certain data of our end consumers and our customers. We mainly have access to order information obtained during online sales, such as consumer addresses, contact information, purchase details and payment information. The e-commerce platforms generally de-identify such data before it is transmitted to us. We may also have access to certain data of our customers for payment purposes when entering into contracts with them.

We have devised a number of strict data protection policies and measures to ensure that our personal information protection and the sourcing, processing, storage and usage of data are in compliance with applicable laws and with prevalent industry practice. These policies and measures include:

- **Data sourcing.** We conduct compliance assessments when collecting data, and log record of the collection process.
- **Data processing.** We strictly process data in a manner that protects the legitimate rights of data subjects. We process data for specific and reasonable purpose, and limit our data processing activities to the minimum scope for achieving the purpose.
- **Data storage.** We store data in encrypted form and strictly manage account privileges. We have established data backup and recovery management practices to ensure timely recovery of critical information.
- **Data usage.** Our data classification and classification management system establishes authorization and approval procedures and security assessment mechanisms for different types and levels of data usage.

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### COMPETITION

According to Frost & Sullivan, China's pre-packaged rice, whole grain, bean and seed market is highly fragmented. The total market share of the top five companies in China's pre-packaged rice, whole grain, bean and seed market was approximately 8.9% in terms of revenue in 2022, according to Frost & Sullivan. We believe our brand equity, product development capabilities, multichannel sales network management capabilities and as well as our production and quality control capabilities, enable us to compete effectively with our competitors. See "Industry Overview."

We believe we are well prepared to excel in industry competition. However, we operate in a highly competitive industry. Failure to compete effectively could adversely affect our market share, growth and profitability. See "Risk Factors – Risks Relating to Our Business and Industry."

### INTELLECTUAL PROPERTY

Our intellectual property rights are key to our success and competitiveness. Our intellectual property rights primarily consist of trademarks, copyrights and domain names. As of the Latest Practicable Date, we had 397 registered trademarks, 26 copyrights and 16 domain names in China. See "Appendix VI – Statutory and General Information." We also protect our intellectual property rights through a series of confidentiality agreements or provisions with all of our employees.

We undertake a proactive approach to manage our intellectual property portfolio. We designate dedicated personnel to handle intellectual property-related issues, whose daily work includes monitoring the application status of intellectual property rights and performing routine checks on the public trademark registration platform to ensure our trademarks are not infringed by third parties. We have also engaged intellectual property experts and legal consultants to assist our IP rights protection.

We have implemented various measures to detect potential IP infringements such as product counterfeit, including market visits by our sales team and hotlines to collect consumer complaints and reports. After discovering incidents of infringements, we will require the infringers to stop producing and selling related products by delivering notices with the support of our legal consultants, and fill industrial and commercial complaints and report to regulatory authorities with the support of intellectual property experts or legal consultants if needed.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any threatened or pending disputes relating to the infringement of intellectual property rights that would have a material adverse effect on our business. See "Risk Factors – We may not be able to adequately protect our intellectual property rights or may be subject to infringement claims of intellectual property rights or rights of third parties, which could harm the value of our brands and adversely affect our business."

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### EMPLOYEES

As of March 31, 2023, we had 2,236 full-time employees, the majority of whom are based in Shenyang, Wuchang and Beijing. The table below sets forth the number of our employees by functions as of March 31, 2023:

	<b>Number of employees</b>
Sales and marketing	474
Production and supply	1,446
Quality control	42
Finance, human resources, administration and others	274
<b>Total</b>	<b>2,236</b>

Attracting and retaining qualified employees is important to our success. We recruited employees primarily through on-campus recruitment, employment websites and referral during the Track Record Period. Committed to providing fair and equal opportunities to our employees, we have formulated detailed career development and promotion path plans covering all levels of our staff and conduct performance evaluations regularly. As part of our retention strategy, we offer our employees competitive salaries, comprehensive welfare packages and merit-based incentive schemes based on the performance of the individual employees and the overall expansion of our business.

We emphasize the importance of training for our employees to enhance their technical skills and comprehensive performance. We provide induction training to our new joiners on our culture, business and industry to help them to fit in. We also provide tailored in-house training sessions to our employees to improve technical skills in their practice areas and management skills training programs such as leadership training to cadres in key positions.

We have maintained a good relationship with our employees. During the Track Record Period, we did not have any strikes, protests or other material labor disputes that may impair our business and image. As of the Latest Practicable Date, we did not have an established labor union.

As required by laws and regulations in China, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance, employment injury insurance, unemployment insurance and housing provident funds through a PRC government-mandated benefit contribution plan.

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We are required under PRC law to make contributions to employee social insurance plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time. During the Track Record Period, since some of our employees, for example, those who are responsible for offline sales channel expansion and logistics, prefer their social insurance and housing provident funds to be paid at their respective resident places for convenience of utilizing such benefits locally and there may only be limited number of employees in one city, we engaged third-party agencies to pay social insurance and housing provident funds for them. The number of these employees accounted for approximately 0.6%, 2.0%, 6.5% and 7.2% of the total number of our employees as of December 31, 2020, 2021, and 2022 and March 31, 2023, respectively. We made contributions through such third-party agencies of RMB0.02 million, RMB0.5 million, RMB2.0 million and RMB0.9 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively. As advised by our PRC Legal Adviser, pursuant to the PRC laws and regulations, we may be ordered to pay social insurance premium and housing provident funds for our employees under our own accounts instead of making payments under third-party accounts, and if the third-party human resources agencies fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required under applicable PRC laws and regulations, we may be ordered to rectify such failure by paying full contributions to social insurance and housing provident funds for our employees.

During the Track Record Period and as of the Latest Practicable Date, we did not pay social insurance and housing provident fund contributions in full amount for certain employees. The shortfall amount of social insurance and housing provident fund contributions is estimated to be RMB1.3 million, RMB4.8 million, RMB8.1 million and RMB1.7 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively. We have made provisions in the amounts of RMB1.3 million, RMB4.8 million, RMB8.1 million and RMB1.7 million respectively for such aforementioned underpaid amount. We did not make full social security insurance and housing provident fund contributions for some of our employees primarily because they were unwilling to cooperate in making such payments, or they had chosen to participate in local rural social security systems offered in their place of residency or their own homes in rural areas. According to Frost & Sullivan, it is common that employees living in rural areas are reluctant to make payment of social insurance and housing provident fund contributions. According to the Social Insurance Law of the PRC and the Regulation on the Administration of Housing Provident Fund, social insurance and housing provident fund are divided into the employer's part and the employee's part. When full payment of social insurance and housing provident fund is made, both the employer and the employees need to make contributions, which will lead to a reduction in the employee's disposable income. Therefore, although we will continue to try our best to persuade our employees to cooperate with full payment in the future, we may also find it difficult to complete the rectification before [REDACTED].

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According to the Social Insurance Law, if an employer fails to make social insurance contributions in full, the relevant authorities could order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. According to the Regulation on the Administration of Housing Provident Fund, if the employer fails to register and establish an account for housing provident fund contributions, the authority could order the employer to correct it within a prescribed time limit, where failure to do so at the expiration of the time limit shall result in a fine of not less than RMB10,000 nor more than RMB50,000 being imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the authority could order it to make the payment and deposit within a prescribed time limit, and where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a court in China for compulsory enforcement.

We have reviewed our practice and adopted or plan to adopt remedial measures to rectify such incidents, including:

- We monitor contribution of sale personnel paid by third party agency, and if such personnel reached a certain amount in a specific city, we would consider establish a subsidiary to open accounts for such employees. We are in the process of communicating with our employees with a view to seek their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees. As a result of our proactive communication efforts with employees, our provision amount of social insurance and housing provident fund contributions had decreased by 26.1% from RMB2.2 million for the three months ended March 31, 2022 to RMB1.7 million for the three months ended March 31, 2023.
- We have established an internal control department to monitor our ongoing compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures.
- We will continuously review and monitor the reporting and contributions relating to the social insurance and housing provident funds and we will consult our PRC Legal Adviser for advice on relevant laws and regulations in China to keep us abreast of relevant regulatory developments. We undertake to maintain close communication with relevant authorities on a regular basis so as to understand their requirements and the interpretation of relevant rules and regulations, and make contributions to social insurance and housing provident funds in accordance with their specific guidance in a timely manner.

Going forward, we will continue to implement the above measures to ensure we are in compliance with the social insurance and housing provident fund registration and contributions requirements under the relevant laws and regulations and undertake to make timely payments for the deficient amount and overdue charges under our own accounts as soon as requested by

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relevant authorities. We believe the risks in relation to social insurance and housing provident funds is low based on the following facts: during the Track Record Period and up to the Latest Practicable Date, (i) we had not been subject to any administrative penalties relating to the engagement of third-party human resource agencies; (ii) we had not received any notification from the relevant Chinese authorities requiring us to pay for the shortfalls with respect to social insurance and housing provident funds, and (iii) we have obtained certain confirmation letters issued by the relevant competent social insurance and housing provident fund authorities confirming that there is no record of any member of our Group being imposed administrative disposition or penalties by the relevant authorities for violation of the relevant laws and regulations. In addition, according to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, all local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises.

Based on the above, our PRC Legal Adviser has advised that if we make contributions to social insurance and housing provident funds upon the requests from competent authorities in a timely manner, the likelihood of us being subject to further administrative penalties is remote.

We believe that we generally maintain a good working relationship with our employees, and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

## INSURANCE

We maintain limited insurance policies covering risks with respect to our properties and inventories. See “Risk Factors – Our insurance coverage may not be sufficient to cover all of our potential losses.” As of the Latest Practicable Date, we had not maintained product liability insurance for all of our products, and we had not carry any business interruption or litigation insurance. We believe such practice is in line with the customary practice of our industry.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We consider environmental, social and governance (“ESG”) matters essential to our long-term and sustainable development. Focusing on economic, employee, environmental and social responsibilities, we are committed steadily enhancing our ESG governance system, improving our ESG practices and performance, and contributing to the well-being of communities and society through various ESG measures.



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### **ESG Governance**

Cognizant of risks associated with ESG matters, such as climate change, that may affect our business, we are deeply aware of our environmental and social responsibilities. We have integrated the concept of sustainability into our strategy and daily operations and established an ESG governance system, which clarifies the roles and responsibilities of the Board, management and employees in ESG matters with reference to Appendix 27 “Environmental, Social and Governance Reporting Guide” to the Listing Rules. In order to continuously enhance our ESG performance, we have engaged a professional third-party ESG consultant to assist us.

#### ***ESG Governance Structure***

Our Board is responsible for the overall formulation of our sustainability strategy, major policies and target framework. We have also established an ESG leading group, which is headed by our General Manager. Our ESG leading group’s responsibilities include, among others, (i) formulating ESG strategy, (ii) determining ESG assessment framework and indicator system, (iii) validating ESG reports, and (iv) determining our ESG improvement measures and supervising its implementation.

In addition, in order to effectively coordinate the development of ESG matters, we have established an ESG working group, consisting of the heads (or their respective authorized officers) of each functional department, each business department and relevant departments of each production base, whose responsibilities include, among others, (i) research on ESG policies and standards, (ii) ESG benchmarking and assessment, (iii) ESG management diagnosis, (iv) ESG performance assessment and evaluation, and (v) ESG information disclosure.

#### ***ESG Policy and System***

We strive to build a comprehensive set of ESG policies and systems. We have formulated an ESG management system, which sets out the contents and specifics of our ESG practices. We have also formulated key policies and prepared systematic measures for various aspects such as business ethics, environmental protection, and human resources with the aim to systematically implement ESG practices, including, among others, the food safety management manual, the food safety and quality management system procedure, the compilation of the safety management system, the employee code of conduct management system, the information security management measures, and the hazardous waste management system.

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### *ESG Strategy and Issues*

The key ESG practices we carried out during the Track Record Period are set forth as follows:

<b>Focus areas</b>	<b>Key action items</b>
Continuously offering premium, healthy and fresh products	<ul style="list-style-type: none"><li>• Implementing strict food safety and product quality standards and measures throughout our operations, covering steps from procurement, production, storage to sales, thus ensuring the high quality of our products</li><li>• Developing nutrition-balanced products to meet consumers' increasing demands for healthy food</li><li>• Leveraging our vertically integrated operations covering the entire value chain, thus offering consumers fresh products that retain natural taste and aroma</li></ul>
Boosting the agricultural value chain development	<ul style="list-style-type: none"><li>• Empowering local farmers by creating more jobs and providing agricultural technical guidance for them</li><li>• Continuously optimizing the modern agricultural industrial system to promote the agricultural transformation and upgrading</li><li>• Actively promoting ecological farming, thus boosting economic and social development</li></ul>
Promoting employment and supporting employee career advancement	<ul style="list-style-type: none"><li>• Actively offering job opportunities for college students and farmers, thus promoting employment</li><li>• Implementing comprehensive training systems and providing diversified and comprehensive trainings, thus enhancing our employees' technical skills and comprehensive performance</li><li>• Leveraging our meritocracy-based incentive system to maintain sustainable development</li></ul>

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Meanwhile, we have identified key ESG issues that are closely linked to our daily operations by taking into account macro policy development, industry focus and ESG standards, including: (i) environmental issues such as energy use and carbon emissions, water resources management, packaging material use, pollutant and waste management, addressing climate change, as well as land and biodiversity; (ii) social issues such as integrity and business ethics, food safety and product quality, nutrition and health opportunities, information security, responsible marketing, occupational health and safety, talent cultivation and development, local employment and community contribution, as well as responsible sourcing; and (iii) governance issues such as corporate governance, integrity and business ethics, risk and compliance management, stakeholder communication, information security and privacy protection, as well as marketing and brand management. We will further enhance our future ESG practices based on such understandings.

### *ESG Risks and Opportunities*

Our operations may be affected by ESG risks; however, if we improve our ESG governance and take effective action, we may also manage ESG risks properly and take advantage of the opportunities they bring. See "Risk Factors." We have identified and analyzed ESG risks and opportunities, we report and discuss them with our ESG leadership team, and actively implement risk management measures to enhance our business resilience and competitiveness, in order to achieve our long-term development.

### *Stakeholder Communication*

Stakeholder communication is a crucial element of our ESG management strategy. We have identified six key stakeholders, namely shareholders and investors, government and regulators, customers, employees, suppliers and partners, and communities. To engage with each stakeholder group effectively, we have established a range of diverse communication channels, including, among others, shareholders' meetings, research and discussion sessions, consumer satisfaction surveys, customer complaint hotlines, supplier visits, employee interviews, and volunteer activities.

By actively communicating with our stakeholders, we aim to listen carefully to their opinions and feedback on all aspects of our daily operations. Furthermore, we strive to address their advice and suggestions in a timely manner. Our commitment to regular communication and responsiveness enables us to build strong and stable relationships with our stakeholders.

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### **Social Responsibility**

We aim to take on corporate responsibilities, create sustainable value and promote positive energy. We are committed to offering premium food to consumers, empowering employees to develop professionally, and promoting positive energy by demonstrating our commitment to our employees, consumers, partners and the society.

### ***Integrity and Business ethics***

We have established a robust corporate governance mechanism that ensures transparent authority and responsibility, coordinated operation, as well as effective management and supervision. We have integrated compliance requirements for anti-bribery and anti-fraud into our daily workflow. We conduct regular internal compliance checks and inspections, and have adopted strict internal accountability. Furthermore, we provide anti-corruption and anti-bribery compliance training to senior management and employees and promulgate policies for non-compliance in our employee handbook.

We have taken numerous anti-corruption initiatives in key areas such as procurement bidding and external cooperation. These initiatives include, among others:

- (i) requiring suppliers to sign an integrity notification letter with us. This letter clearly outlines the conduct and integrity standards expected from both parties. It explicitly prohibits unethical practices like bribery, kickbacks, and commercial fraud. By doing so, we ensure that our cooperation progresses in an honest and orderly manner.
- (ii) establishing a whistleblower program, along with a dedicated hotline and email address. These channels are designed to receive corruption charges and reports, whether named or anonymous.
- (iii) setting up a bidding management committee to prevent any undue influence on the bidders or inquiries into the evaluation process by the members of the bidding working group.
- (iv) enforcing a policy that prohibits the bidding working group from engaging in private communication with any bidder or individual with a vested interest in the bidding results. Furthermore, they are strictly prohibited from accepting any financial or other benefits from bidders, intermediaries, or any other parties involved.
- (v) implementing a prequalification process for bidders and maintaining supplier files during the supplier selection process. Additionally, we conduct regular evaluations of our cooperative suppliers to ensure ongoing compliance with our standards.

These measures collectively demonstrate our commitment to combat corruption and promote transparency in our operations.

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### *Food Safety and Product Quality*

We have established a professional, standardized and high-standard food safety and product quality control system, covering procurement, production, storage, delivery and sales, and after sales service. We inspect raw materials and packaging materials that arrive at our production bases, and only those that meet national standards and our procurement standards can be accepted. Our production processes are strictly in compliance with applicable laws and regulations in China, and national and industrial standards in relation to food production and sales, including, but not limited to, ISO 9001 quality management system certification, HACCP system certification and FSSC 22000 food safety certification. We regularly conduct randomized sampling checks on our products sold in the market so as to keep track of the quality status of our products during their life cycles, identify potential risk exposures and ensure consistent quality of our products. We also have a dedicated consumer service team to ensure timely responses to our consumers’ communications. See “– Food Safety and Quality Control” and “– After Sales Service.” We set and implement management targets related to first pass rate and consumer satisfaction percentages, and such targets are tied to performance of the management team of production bases.

As our products are mainly processed grain products, our production process primarily involves physical steps and does not involve the direct use of chemicals. Limited amounts of chemicals and pharmaceuticals are used in our production bases and warehouses only for cleaning, disinfecting, and pest and rodent control purposes. We have implemented a chemical management control procedure to regulate the purchase, receipt, storage, and labeling of chemicals to ensure their safe usage.

To prevent potential chemical hazards such as excessive pesticide residues and heavy metals in the raw grains we purchase from upstream, we strictly comply with relevant laws and regulations such as the GB2763-2021 national food safety standard – maximum residue limits for pesticides in food. To ensure the safety and quality of our raw materials, we have established acceptance standards for various raw materials from our suppliers that outline detailed requirements for pesticide residues. For example, we commission tests on different varieties of rice for each procurement season and require major suppliers to provide inspection reports.

### *Nutrition and Health Opportunities*

We are dedicated to remaining responsive to consumers’ needs for nutritional and healthy products. Adjacent to our core grain production areas, our production bases are equipped with large modern warehouses, thus ensuring suitable storage environments according to different warehousing requirements. With the lower temperature prevalent in Northeast China Plain, we are capable of efficiently procuring and storing fresh paddy and other grain upon maturity, to ensure their freshness and moisture. We are committed to high standards of food safety and product quality requirements by adopting standardized production and internal control systems and advanced production techniques to effectively implement controls and prevent food safety hazards. We continuously enrich our product categories to offer consumers a wide range of healthy products such as mixed brown rice, millet and corn to help consumers better obtain nutrients such as protein and dietary fiber from their diet. See “– Our Production” and “– Our Brands and Products.”

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We label the information of protein and dietary fiber on the outer packaging of all kinds of products strictly in compliance with our food nutrition labeling management code to help consumers assess the nutritional composition of our products. We engage professional third-party institutions to regularly test various products for nutritional elements, and disclose or update the nutrition label information based on the test results.

### *Responsible Sourcing*

We are committed to responsible sourcing and sustainable procurement management while extending these values to our upstream and downstream supply chains. Throughout our procurement process, we hold our suppliers to sustainability-related certification standards and give preference to those with relevant system certifications. Our commitment to quality and sustainability ensures the products provided by our suppliers meet our high standards.

We support local sourcing and place great importance on developing and maintaining stable relationships with raw material suppliers and farmers in the regions where we operate, which allows us to achieve a sustainable and high-quality supply of raw materials. Our raw material procurement agreements clearly outline quality standards, pricing principles, and the responsibilities in case of contract violations. We are also committed to safeguard the interests of local suppliers and farmers by using market-oriented pricing mechanisms. For instance, our procurement agreements for rice typically include three pricing aspects, namely place of origin, quality, and product testing results. Furthermore, we have established well-defined payment deadlines with our local suppliers. Once the reconciliation process with the supplier is completed, we promptly fulfill the payment. With our commitment to quality, corporate reputation, and stable sourcing requirements, we have become a trustworthy business partner for specialized agricultural suppliers, farmers cooperatives, and individual farmers.

In regards to our logistics suppliers, we classify them into two categories: delivery service suppliers and warehousing service suppliers. We have implemented a strict access review system for our logistics suppliers, requiring them to provide basic information and qualifications, guarantee their own vehicle transport capacity and confirm that they have no history of illegal activities. Additionally, we conduct monthly assessments of our logistics suppliers, and any irregularities or misconduct discovered may result in immediate removal from our supplier catalogue. To enhance the safety of our logistics suppliers, especially their drivers, we have also established and implemented a code of practice for external personnel to promote safety awareness among our delivery service suppliers and encourages them to prioritize safe driving practices.

### *Information Security*

We have established comprehensive information security management measures, to ensure the security of our information. We have also set clear our information security workflow and assigned clear responsibility to each member of our Group. To respond effectively to potential network security emergencies, we have formed a dedicated team and implemented a network security emergency response plan and a data security incident

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emergency response plan. We have also established the response and handling process for information security incidents, and regularly organize drills to test and improve the plan. We stipulate that each department should organize at least one drill each year and report the drill to the emergency response team. We also provide training programs on network security contingency plans to all departments.

### *Responsible Marketing*

Responsible marketing is important to us, and we strictly comply with relevant laws, regulations, standards and other regulations in our marketing activities to ensure honest and fair transactions with all customers and avoid any manipulating and deceptive advertising or marketing activities that could be considered exploitative to consumers.

To ensure that our marketing activities comply with these standards, we have implemented an integrated product quality control audit and sampling mechanism to ensure that our promotional materials and advertising information consistently meet our responsible marketing guidelines. In addition, we conduct periodic training sessions on advertising law and product page compliance promotion to raise the awareness of our staff and ensure compliance of our marketing activities. By doing so, we aim to foster a culture of responsibility and transparency in our marketing activities.

### *Occupational Health and Safety*

We operate in compliance with laws and regulations in China relating to occupational health and safety. In particular, we have formulated safety production and occupational health-related rules and regulations such as the safety production accident management system and occupational health and safety management manual. We have set up safety groups to enhance occupational health and safety in production and daily management. Our safety groups are led by general managers at relevant production bases. In particular, we have established occupational health and safety management systems in our Shenyang Xinmin and Wuchang production bases with reference to ISO45001 and OHSAS18001 standards. For example, we issue labor protection equipment such as masks and ear plugs to our employees and conduct regular occupational health examinations.

In order to raise employees' safety awareness, we have taken a number of safety measures, including; (i) organizing activities such as periodical production safety education, occupational health and safety training, and safety lectures; (ii) cooperating with the local fire brigades to jointly conduct fire drills to improve our capability to respond to fire and other emergencies; (iii) equipping the canteens with televisions and playing videos on workplace safety; and (iv) rewarding employees who have raised valuable suggestions or made outstanding contributions to occupational health and safety. During the Track Record Period and as of the Latest Practicable Date, we did not record any work-related fatalities, nor were we involved in any material litigation or penalties for any major safety incidents.

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### *Talent Cultivation and Development*

We are also dedicated to providing equal opportunities in all aspects of employment and maintaining workplace that is free from discrimination, physical or verbal harassment against any employee on the basis of external factors including race, religion, color, gender, physical or mental disability, age, place of origin, marital status and sexual orientation. We have formulated a recruitment management system and a labor contract management system, to ensure that we comply relevant laws and regulations in China. Meanwhile, we have implement code of conducts in order to prohibit sexual harassment or workplace abuse. As of March 31, 2023, approximately 49.9% of our employees were male and approximately 50.1% were female, and approximately 28%, 61% and 11% of our employees were under 30 years of age, 31-50 years of age and 51 years of age or older, respectively.

Committed to attracting our talent pool, every year, we recruit employees via measures including campus recruitment, recruitment websites and referral. In addition, we have built a multi-group and all-round talent training system to enhance our long-term development. We give full training and empowerment to staff with outstanding performance and management capability, conduct talent reviews and staff interviews, and implement a tiered incentive system to continuously select those with management potential. In addition, we also provide incentives, including performance based salary and bonus to outstanding employees. In the future, we will further improve our promotion mechanism emphasizing meritocracy, responsibility and contribution.

To continuously enhance our team’s technical expertise and management capabilities, we have also established a comprehensive training system implemented on both group level and department level. Our group-level trainings focus on corporate culture, transferable skills and managerial aptitude, and our departmental-level trainings focus on professional knowledge and operation skills. We continuously carry out training programs including internship training, induction training and on-the-job training, to help them establish professional mindsets, good working habits, and robust knowledge related to our business. We have also set up a mentoring system for employees’ professional development.

### *Employment Promotion and Community Contribution*

Underpinned by our full coverage of the entire industry chain, we actively promote ecological agriculture, develop multi-functional agriculture, empower the whole agricultural industry and improve agricultural transparency, thus contributing to rural revitalization and rural economy. We have built a number of warehouses adjacent to our Shenyang Xinmin production base and Wuchang production base to facilitate farmers and improve their efficiency. In addition, we also empower communities such as local farmers via procurement of raw materials. During the Track Record Period, we had total raw materials costs of RMB7,728.8 million.



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The key community contribution items we conducted during the Track Record Period are as follows:

- ***Boosting rural employment.*** We supported employment of local farmers and provided them with skill training, in order to improve their living standard. In Shenyang Xinmin, we employ around 70% of the total workforce from local farmers and provide them with insurance coverage based on their preferences to improve their well-being. In Wuchang Caiqiao, our modern agricultural industrial park was completed in 2022, and we have hired over 200 new employees from Wuchang during 2022 as we expand our processing capacity.
- ***Agricultural technical guidance.*** We promoted sustainable farming methods to, shared quality rice seedlings with, and provided guidance and management for, local farmers, bringing them steadily increased yield and profit. For instance, we have set up a corporate agricultural development department, which employs agricultural technology specialists to provide services to farmers who have joined contract farming, including carrying out analysis of the soil environment and nutrient composition and regularly carrying out guidance and answering questions for farmers on field works, crops and plants protection.
- ***Donations.*** In 2020, we donated over 60 tons of rice products to Wuhan City to help fight the previous pandemic. In 2021, we donated 30 tons of Wuchang rice to Henan Province to support the people suffering from flooding.
- ***Visiting elderly people.*** We organized regular visits to elderly people in retirement homes, talking with them, giving them gifts and donating money and necessities to them.
- ***Rural community building.*** We repaired village offices and donated office supplies, such as computers, for two villages in Xinmin. We also donated flower seeds to local farmers in Xinmin to boost the local economy.
- ***Supporting women's development.*** We provided employment opportunities for women and supported the improvement of family status of rural women and their participation in society.
- ***Facilitating public reading.*** We donated RMB500,000 to build a city bookstore in Xinmin.

### Environmental Protection

We recognize the importance of environmental protection and sustainability, and have adopted professional environmental measures to improve our environmental performance and ensure that we comply with relevant environmental laws and regulations in China.

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### *Energy Use and Carbon Emissions*

Our statistics of comprehensive energy consumption and GHG emissions during the Track Record Period covered Shenyang Xinmin production base, Wuchang production base, our administrative center in Beijing and four branches in Tianjin, Shanghai, Guangzhou and Chengdu. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, our comprehensive energy consumption was 22,625 MWh, 51,348 MWh, 71,857 MWh, 13,074 MWh and 14,148 MWh, respectively, and our total GHG emissions (scope 1 and 2) were 9,841 tons of CO<sub>2</sub>e, 25,112 tons of CO<sub>2</sub>e, 35,743 tons of CO<sub>2</sub>e, 6,794 tons of CO<sub>2</sub>e and 7,244 tons of CO<sub>2</sub>e, respectively. Our comprehensive energy consumption and total GHG emissions increased in the Track Record Period, which was generally in line with our business development, mainly because (i) we actively expanded our production capacity to meet increased demands for our products by establishing and putting into operation more production lines, and (ii) we introduced advanced automated production machinery and equipment to enhance the automation of our production processes. In the three months ended March 31, 2023, our comprehensive energy consumption intensity was 13.08 MWh per million RMB of sales volume and our GHG emissions intensity was 6.70 tons per million RMB of sales volume.

We are committed to continuously improving energy efficiency and reducing emissions. We have established energy management teams in major production bases, where the general managers coordinate energy supply, equipment management, energy consumption statistics and other related tasks. To further minimize our environmental impact, we plan to implement the following measures:

**Optimize energy structure and promote electricity substitution.** In 2020, 2021 and 2022, our electricity consumption accounted for 55.59%, 72.36% and 75.64% of the total energy consumption, respectively, and we aim to increase it to 80% within the next three years. By replacing fossil fuels like coal and gasoline with electricity, we can reduce pollutant emissions such as sulphur oxides and nitrogen oxides, as well as control greenhouse gas emissions. We will take several actions to achieve this goal, including, among others, (i) replace traditional coal-fired drying equipment with efficient and energy-saving drying equipment, (ii) substitute some diesel vehicles with electric vehicles to reduce diesel consumption and exhaust emissions, (iii) increase the utilization of air-powered heating equipment, and (iv) implement solar photovoltaic projects on the roofs of our workshops.

**Strengthen statistical monitoring and control emission intensity.** We will further enhance our energy consumption and carbon emission statistical mechanisms across all existing and planned production bases within the next two years. We will establish performance management indicators for energy consumption management to better evaluate the implementation of energy conservation and emission reduction efforts.

In terms of value chain GHG emissions (Scope 3), we refer to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard to identify the main Scope 3 emission categories, including “transportation of purchased raw materials or commodities”,

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“transportation of sold products”, “business travel”. We have optimized our logistics and transportation routes through the deployment of warehousing and logistics systems and the application of a transportation management system to improve the efficiency of logistics and transportation and reduce energy consumption and greenhouse gas emissions caused by upstream and downstream logistics and transportation. In the future, we plan to gradually develop statistics and monitoring of Scope 3 emissions in accordance with the *Climate Disclosure Guidelines* and expand the disclosure of Scope 3 emissions over time.

At current stage, our primary approach involves entrusting third-party logistics service providers for the transportation of raw materials and products. These transportation methods encompass road, railway and sea freight. We prioritize the selection of logistics companies with the capacity to offer environmentally friendly logistics services and plan to implement low-carbon transportation standards on our logistics partners. This includes encouraging the adoption of a hybrid transportation model involving both road and railway or sea freight, increasing the utilization of new energy electric vehicles, and leveraging big data to enhance transportation and distribution efficiency to decrease potential emissions. We have already taken steps to reduce transportation distances by establishing self-operated RDCs and local warehouses, thereby reducing carbon emissions during the product transportation process. Additionally, we actively promote the use of remote video conference and similar collaborative methods among our employees to curtail unnecessary business travel and further diminish Scope 3 emissions.

### ***Water Resources Management***

Our water consumption mainly comes from production processes such as rice milling as well as our daily operations. The major sources of our water supply are municipal tap water and groundwater. We actively improve our water resources management system and inspect the implementation of our water intaking and water conservation measures. We promote the concept of water conservation to our employees, put up posters on water conservation in various places, and conduct inspections from time to time to avoid water wasting. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, our total water consumption was 17,863 cubic meters, 23,570 cubic meters, 22,543 cubic meters, 3,478 cubic meters and 1,993 cubic meters, respectively. In terms of intensity metrics, our water intensity (water consumption per revenue) in 2020, 2021 and 2022 is 7.68 cubic meters per million RMB of revenue, 6.55 cubic meters per million RMB of revenue and 4.97 cubic meters per million RMB of revenue, respectively, which has shown a decreasing trend from year to year. To decrease our water resource consumption, we have devised the following plans:

**Control the water consumption in the production process.** We implement a production water consumption standard of no more than 13 liters of water consumed per ton of rice processed. We are committed to achieving this target by 2023 and for a number of years thereafter, and will review and revise the target as appropriate in the future in the light of the achievement of the target. We will also continue to update advanced equipment and optimize production processes to reduce the water consumption per unit of product production.

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**Reduce employee domestic water consumption.** We have set a benchmark of 7.2 tons of domestic water consumption per employee per year. We are committed to complying with the benchmark target in 2023 and for a number of years thereafter, and will review and revise the target in the future as appropriate in the light of the achievement of the target. We conduct periodical inspection and promptly replace aging or damaged pipeline networks to prevent leakage. We also conduct public awareness campaigns, advocate for water conservation, and encourage employees to embrace a water-saving mindset.

By implementing the above benchmarks for production and office water use, we are expected to reduce our overall water consumption. While we are aware that water intensity will be affected by fluctuations in our business and revenues, we intend to reduce our water intensity (water use per revenue) to less than 4.5 cubic meters per million RMB of revenue by 2025.

### *Packaging Material Use*

We carefully select different packaging materials according to product characteristics and specification. Our packaging materials include, among others, packaging bags and woven bags. We require our packaging material suppliers to provide relevant qualification certificates and product test reports, and to issue packaging material quality assurance letters to us, and we also conduct random inspections and on-site inspections from time to time, thus ensuring the safety and quality of packaging materials, especially food contact materials.

During the Track Record Period, we mainly utilized plastic bags, plastic woven bags and plastic bottles made of PE and PET for packaging our products, all of which are generally recyclable materials. In 2022, our use of recyclable packaging materials accounted for 48.8% of our total packaging materials, and we plan to increase this percentage to over 50% by the end of 2023.

Meanwhile, we collect crates, waste cartons and waste packages and send them to recyclers for resource recovery.

	Units	Year ended December 31,			Three Months	
		2020	2021	2022	ended March 31, 2022	2023
Plastic packaging bags (mainly involving use of PE)	Ton	3,479	5,850	5,357	714	823
Plastic paper packaging bags	Ton	1,760	2,411	5,339	747	924
Aluminum plastic packaging bags	Ton	454	751	1,097	181	130

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	Units	Year ended December 31,			Three Months	
		2020	2021	2022	ended March 31, 2022	2023
Plastic woven bags (mainly involving use of PE)	Ton	143	793	899	160	132
Plastic bottle (mainly involving use of PET)	Ton	0	296	519	95	71
Other packaging materials	Ton	306	545	664	96	95
<b>Total use of packaging materials for finished products</b>	Ton	6,142	10,646	13,876	1,993	2,176
<b>Packaging materials used per ton of finished product</b>	Kg	20.50	18.93	20.51	19	18

### *Pollutants and Waste Management*

Our waste gas emissions are mainly dust particles generated from raw grain processing, sulfur dioxide, nitrogen oxides and soot generated from coal-fired and gas-fired boilers, and exhaust gas generated from our own vehicles.

In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, our sulphur dioxide emission was 5,774 kg, 5,896 kg, 5,810 kg, 806 kg and 1,082 kg, respectively, and our nitrogen oxide emission was 3,596 kg, 5,023 kg, 4,842 kg, 1,084 kg and 1,176 kg, respectively. Our general solid waste is mainly domestic waste generated from daily operations. We also generate a small amount of hazardous waste, mainly waste engine oil and waste diesel from forklifts and shovel loaders.

According to our environmental assessment report issued by a third-party professional agency, we do not generate any industrial wastewater during our production process. The wastewater that we discharge mainly comprises domestic and canteen wastewater. The canteen wastewater is treated in oil separators and then discharged into anti-seepage septic tanks along with the domestic wastewater. The wastewater is finally discharged into the local sewage treatment plant through the municipal pipe network. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, our wastewater discharge was 5,815 cubic meters, 10,078 cubic meters, 9,231 cubic meters, 2,783 cubic meters and 1,595 cubic meters, respectively.

We strictly comply with emission limits in the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) and the Emission Standard of Air Pollutants for Boiler (《鍋爐大氣污染物排放標準》). We have also formulated waste management policies and systems such as environmental protection management system and the hazardous waste

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management system, in order to properly manage various types of waste. Specifically, we have constructed dust removal equipment, exhaust stacks and dust collectors at each production base to ensure that dust particles are properly collected and disposed of, and we are equipped with integrated waste management facilities, we have engaged third-party institutions to regularly test the concentration of air pollutants in exhaust emissions to ensure that it is within the permissible range.

In terms of waste emissions, we have set the target of achieving 100% hazardous waste disposal rate and 100% organic waste disposal rate every year. During the Track Record Period, we have strictly complied with the regulations on the centralized disposal of hazardous waste, and signed hazardous waste disposal agreements with professional waste disposal enterprises for the small amount of waste engine oil and testing reagents generated. At the same time, we have utilized organic waste such as hulled rice husk and sifted broken rice generated during the production process for various purposes such as thermal insulation materials, fillers and fuels. In addition, our product packaging might turn into packaging waste after consumer use. While ensuring our packaging meets fundamental requirements, we are committed to achieving an environmentally-conscious shift in packaging materials through single-material packaging solutions and waste reduction. In particular, for packaging solutions, we have widely adopted the use of plastic packaging bags and woven bags made of PE for our rice products and increased the use of plastic bottles made of PET for whole grain, bean and other products. We further plan to decrease the usage of composite packaging materials, including aluminum-plastic packaging bags. In terms of waste reduction, our objective is to achieve a 10% decrease in the amount of packaging materials used per ton of finished products by 2025 as compared to 2022. To realize this goal, we intend to integrate pertinent environmental requirements into our product packaging design process and evaluation process for packaging material suppliers. Through these measures, we aim to construct a more sustainable product packaging portfolio that mitigates the adverse environmental effects associated with packaging waste.

### *Addressing Climate Change*

We consider that the risks and opportunities of climate change have a significant impact on our business, strategy and financial performance.

Climate change has a significant impact on global agriculture. A third-party report predicts an 8.7 million ton gap between global rice supply and demand in 2022 or 2023. Rice production in major rice-producing countries such as China, has declined due to climate-related factors, contributing to the tight supply. According to Frost & Sullivan, China's rice production decreased by approximately 1.9% in 2022, primarily due to extreme weather events happened in Guangxi and Guangdong provinces, such as heavy rainfall and drought caused by typhoons. Climate change is increasing the frequency and unpredictability of extreme meteorological disasters in China, posing challenges to agriculture. Our production bases and upstream origins are primarily located in Northeast China, which is at the middle-high-latitude region and the eastern end of Eurasia, a region significantly affected by climate change. Changes in climate such as rise in temperature may lead to more frequent occurrence of extreme weather events in Northeast China such as rainstorms, drought, extreme cold and frost may result in instability

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in agricultural production, resulting in our losses or increased operating costs. For example, a number of international organizations have predicted that global surface temperatures will continue to rise until at least the middle of this century. According to a meteorological study, if temperatures rise by 1.5°C in the future, the number of days of heavy rainfall in Northeast China could increase by 17.9 days per year, leading to an increase in the likelihood of extreme rainfall, droughts, and floods. However, in the medium to long term, climate change may also lead to increased heat resources in Northeast China, which is beneficial for crop growth. This includes increasing trends in cumulative temperature and growing season length, as well as decreasing the likelihood of frosts and cold snaps. We proactively identify and assess climate risks and opportunities, and integrate climate change risk identification, adaptation and mitigation into our decision-making process. We conduct extreme weather monitoring and early warning, and formulate and update disaster contingency plans in order to improve our capabilities of climate disaster prevention and management. We pay close attention to the trend of climate change, and design our production bases in a way that is appropriate to agro-climatic conditions. We use energy-efficient equipment, such as air source heat pump systems and electric forklifts, to reduce GHG emissions.

### *Land and Biodiversity*

In response to the National Black Land Protection Project Implementation Plan (2021-2025) (《國家黑土地保護工程實施方案(2021-2025年)》), we prepare environmental impact assessment reports in accordance with relevant laws and regulations in China and strictly comply with the national ecological red line and environmental bottom line in the process of selecting sites for our production bases in Northeast China. We also cooperate with local farmers to promote ecological agricultural development to protect the soil and water bodies, thus jointly maintaining a healthy and sustainable farmland ecosystem, and avoiding the expansion of agricultural land into natural habitats that would damage biodiversity.

## PROPERTIES

We own and lease properties in China. As of the Latest Practicable Date, all of our production bases were located in China. Our corporate headquarters are located in Beijing, China.

As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

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### Owned Properties

As of the Latest Practicable Date, we use 15 parcels of land with an aggregate site area of approximately 769,884 sq.m. and a total aggregate gross floor area of approximately 164,053 sq.m. of buildings in China, which were primarily used for production and warehousing purposes. As of the Latest Practicable Date, 4 sites of buildings we owned, with an aggregate site area of approximately 52,436.6 sq.m., were under construction.

As of the Latest Practicable Date, we had not obtained the land use right certificates with an aggregate site area of approximately 33,250 sq.m. in our Shenyang Xinmin production base (the “**Xinchang Jinwutaizi Land**”), accounting for 4.32% of the land owned by us. We had not obtained the land use right certificate for Xinchang Jinwutaizi Land primarily because we had made the application for land grant process and such process is not completed. As we had not obtained the land use right for such land, we could not obtain the building ownership certificates and the planning and construction certificates for the buildings built thereon, with an aggregate gross floor area of approximately 13,508 sq.m (the “**Xinchang Jinwutaizi Site**”). During the Track Record Period, we primarily used the buildings on the Xinchang Jinwutaizi Land for production, warehousing and office use. The Xinchang Jinwutaizi Land is collectively owned land, among which, there are 17,260 sq.m. of agricultural land. As of the Latest Practicable Date, we had not completed the land grant process for the Xinchang Jinwutaizi Land, which is required under Land Administrative Laws of the PRC to complete the process of converting use from agricultural land to construction land. As advised by our PRC Legal Adviser, we may face the risks of (i) not being able to prove our title to the Xinchang Jinwutaizi Land for lack of land use right certificates if there arises a dispute over land ownership, (ii) being requested to rectify such incidents, demolish the buildings on the Xinchang Jinwutaizi Land and paying penalties for not obtaining planning and construction certificates, and (iii) being requested to restore the land for agricultural use and paying penalties for using agricultural land for construction use.

We have obtained a written confirmation jointly issued by the Xinmin Municipal Government and other regulatory authorities in 2022 (the “**2022 Confirmation**”), confirming that: (1) our use of the Xinchang Jinwutaizi Land is consistent with the general land planning in material respects and does not involve willful infringement of basic agricultural land; (2) we are allowed to use buildings on the Xinchang Jinwutaizi Land for production and business operations, and (3) the relevant regulatory authorities will not impose any administrative measures or penalties for our use of the Xinchang Jinwutaizi Land and the buildings thereon due to the aforementioned matters. We have further received a written confirmation issued by the Shenyang Natural Resources Bureau in 2023 (the “**2023 Confirmation**”), confirming that: (1) the Xinmin Municipal Government has independent authority for land administration matters; (2) it has not made any administrative punishment decisions with respect to our use of the Xinchang Jinwutaizi Land, and has not received any reports or complaints related thereto; and (3) there have been no administrative reconsideration or administrative litigation disputes between the Bureau and us currently pending administrative litigation or review. As advised by our PRC Legal Adviser, the above regulatory authorities are the competent authorities to supervise and examine our use of the Xinchang Jinwutaizi Land, as well as



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impose administrative penalties. Based on the 2022 Confirmation and 2023 Confirmation and the fact that the production contribution of the Xinchang Jinwutaizi Site amounted to 6.1% of our total sales volume in 2022, our PRC Legal Adviser is of the view that the risk that our business operations will be materially and adversely affected with respect to our use of the Xinchang Jinwutaizi Land is remote.

We may not fully rectify such defects before [REDACTED] because the completion of the land grant process is beyond our control. Our Directors believe that the defects of such owned buildings would not materially and adversely affect our business, results of operations and financial condition, primarily because: (i) as the result of our strategic production capacity expansion in recent years, the production contribution of the Xinchang Jinwutaizi Site has showed a significant decreasing trend during the Track Record Period and amounted to 6.1% of our total sales volume in 2022, and the utilization rate of our Xinchang Jinwutaizi Site has also showed a decreasing trend during the Track Record Period as we have updated production techniques at other production sites during the same time. The contribution of the Xinchang Jinwutaizi Site to our total sales volume continued to decrease and amounted to 3.2% of our total sales volume in the first quarter in 2023; (ii) if we are ordered to suspend our production at the Xinchang Jinwutaizi Site, through adjusting the production schedules of our other production sites as well as cooperating with OEM partners, our general production activities will not be materially disrupted; and (iii) if, in the unlikely event, we are ordered to demolish the Xinchang Jinwutaizi Site and restore the Xinchang Jinwutaizi Land for agricultural use, we will comply with the relevant order and such demolition work will not materially and adversely affect our business, results of operations or financial condition based on aforementioned reasons. We expect that we will be able to finish such demolition at a cost of RMB300,000.

To prevent any recurrence of similar incidents in future, we have established and implemented both preventive and remedial measures to ensure our compliance with regulations in relation to obtaining requisite certificates or completion of relevant procedures for our use of real properties in the future:

- we plan to provide regular training on applicable legal and regulatory requirements in relation to the use of real properties to our senior management. We will also remain in close communication with external legal counsel to understand the latest development of the relevant laws and regulations;
- during the site selection process, our legal department will check the land nature to ensure that collectively owned land, particularly agricultural land, will not be used for construction and production use before the completion of necessary approval processes; and
- prior to the commencement of the operation of a new production site, a designated person shall ensure all requisite approvals and permits have been obtained.

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### Fire Safety

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties with respect to fire safety.

During the Track Record Period, we had suspended production for certain production facility that had not completed fire safety filings procedures for renovation, which had no material adverse effect to our business. As of the Latest Practicable Date, we have completed the renovation and obtained the fire safety filings. As advised by our PRC Legal Adviser, the maximum exposure for not completing fire safety filing procedures is a penalty in an amount of up to RMB5,000, and if the production facility fails to pass the random fire safety inspection of the competent authority, it may be ordered to suspend the operations.

We believe that such non-compliance had not and would not have a material adverse effect on our business based on the following: (i) the production facility had not been subject to any administrative penalties for not completing fire safety filings during the Track Record Period; (ii) the maximum aggregate potential penalty of RMB5,000, if occurred, would exert an insignificant impact on our financial conditions; (iii) we have not experienced material adverse effects on our operations or financial condition since the suspension of production facility and the actual production volume of Wuchang production base slightly increased from 21.5 thousand tons for the three months ended March 31, 2022 to 24.1 thousand tons for the three months ended March 31, 2023; and (iv) we have obtained the fire safety filings for that production facility.

### Leased Properties

As of the Latest Practicable Date, we leased lands located in nine villages with an aggregate gross area of approximately 10,186,918 sq.m. and 42 buildings with an aggregate gross floor area of approximately 85,763 sq.m, respectively, which were primarily used for warehousing, dormitory and other business operations.

As of the Latest Practicable Date, among our 42 leased buildings, five lessors have failed to provide us their property ownership certificates or proof of authorizations from the property owners, and these buildings had accounted to an aggregate gross floor area of approximately 33,022 sq.m.. We believe that the reasons that the lessors failed to provide us with the relevant property ownership certificates or proof of authorizations are beyond our control. As advised by our PRC Legal Adviser, without valid property ownership certificates or proof of authorizations from the property owners, our use of these leased buildings may not be valid or may be affected by third parties' claims or challenges against the lease. In addition, if the lessors do not have the requisite rights to lease these buildings, we may be required to vacate these leased buildings and relocate our operational sites. However, in the event that we are unable to continue using these leased buildings, based on the advice of our PRC Legal Adviser, we, as the tenant, will not need to continue to pay the rents unless otherwise agreed between the tenant and the lessor. Additionally, it is the lessors' responsibility to obtain the property ownership certificates to enter into the leases, and, as a tenant, we will not be subject to any

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administrative punishment or penalties by the real estate authorities in this regard. These statutory protections significantly mitigate our risks arising from these leased properties due to claims for vacation from the legal owners of the properties. In the unlikely event that we are required to relocate due to such title defects, we believe we will be able to easily find alternative properties. We estimate that the relocation cost for each warehouse will be approximately RMB300,000 and the relocation will normally take less than one month.

Pursuant to the applicable laws and regulations in China, property lease agreements for leased buildings must be registered with the relevant real estate administration bureaus in China. As of the Latest Practicable Date, we had not registered the lease agreements for 37 of our leased buildings with the relevant competent authorities in accordance with applicable laws and regulations in China, which mainly due to owners' reluctance in registering relevant lease agreements despite our efforts in communicating such requests. Our PRC Legal Adviser advised us that the lack of registration does not affect the validity and enforceability of the lease agreements, but we may be subject to fines from RMB1,000 to RMB10,000 for each such lease agreement for failure to register.

Having considered the foregoing, we believe that the non-registrations of leases described above will not, individually or in the aggregate, materially affect our business and results of operations, on the grounds that we were advised by our PRC Legal Adviser that, if the lease registration can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent governmental authorities, the risk of governmental authorities imposing a material penalty on us with respect to these leased properties is remote.

### LICENSES, APPROVALS AND PERMITS

We are required to maintain various licenses, approvals and permits to operate our business. Our material licenses and permits include food production permits and food trading permits (or record filings). Our legal department is responsible for monitoring the validity status of our licenses and permits and making timely applications for renewal to relevant government authorities. We monitor our compliance with the relevant laws and regulations to ensure that we have the requisite licenses, approvals and permits for our operations. See "Regulatory Overview."

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As of the Latest Practicable Date, we had obtained the requisite licenses, approvals and permits from relevant authorities that are material to our operations in China and such licenses, approvals and permits were valid and remained in effect. The following table sets out a list of material licenses, permits and approvals currently held by us:

<u>License/Permit</u>	<u>Holder</u>	<u>Issuing Authority</u>	<u>Expiry Date</u>
Food Business License (食品經營許可證)	Shenyang Xinchang	Xinmin Administration for Market Regulation	June 21, 2027
Food Production License (食品生產 許可證)	Shenyang Xinchang	Xinmin Administration for Market Regulation	March 30, 2026
Food Business License (食品經營許可證)	Shenyang Zhongxin Grain Trade Co., Ltd.	Xinmin Administration for Market Regulation	January 18, 2026
Food Business License (食品經營許可證)	Shenyang Xinchang Tiexi Branch Office	Shenyang Tiexi Administration for Market Regulation	November 25, 2025
Food Production License (食品生產 許可證)	Wuchang Caiqiao	Wuchang Administration for Market Regulation	April 19, 2026
Food Operators Filing Form (sales of pre- packaged food only) (僅銷售預包裝食品 備案表)	Wuchang Caiqiao	Wuchang Administration for Market Regulation	N/A
Food Production License (食品生產 許可證)	Shiyue Daotian Songyuan Agricultural Technology Co., Ltd.	Songyuan Administration for Market Regulation	November 3, 2027
Food Business License (食品經營許可證)	Shiyue Daotian Songyuan Agricultural Technology Co., Ltd.	Songyuan Economic and Technological Development Zone Branch of Songyuan Administration for Market Regulation	June 13, 2027
Food Production License (食品生產 許可證)	Shiyue Daotian (Aohanqi) Agricultural Technology Co., Ltd.	Aohanqi Administration for Market Regulation	January 19, 2027
Food Business License (食品經營許可證)	Shiyue Daotian (Aohanqi) Agricultural Technology Co., Ltd.	Aohanqi Administration for Market Regulation	May 23, 2028
Food Operators Filing Form (sales of pre- packaged food only) (僅銷售預包裝食品 備案表)	Shiyue Daotian (Beijing) Technology Development Co., Ltd.	Beijing Chaoyang Administration for Market Regulation	N/A

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### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

We may from time to time become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material and adverse effect on our business, financial condition or results of operations.

From 2019 to 2021, Wuchang Caiqiao, a subsidiary of our Group, was involved in several lawsuits (the “**Historical Lawsuits**”) brought by a third-party company, which alleged that Wuchang Caiqiao has infringed certain trademarks (the “**Disputed Trademarks**”) owned by such company. The Historical Lawsuits were collectively settled on October 9, 2021 (the “**Settlement**”), under which Wuchang Caiqiao agreed to (i) pay the plaintiff of the Historical Lawsuits and its associate company a compensation of RMB550,000 to settle the disputes; and (ii) cease and undertake not to carry out any production and sales activities that would infringe the Disputed Trademarks. We adopted rectification measures in relation to such lawsuits, which did not have any material adverse effect on our business operations and results of operations.

In 2023, an associate company of the plaintiff in the Historical Lawsuits, as the current owner of the Disputed Trademarks, brought a lawsuit with claim amount of RMB30 million against our Company, Wuchang Caiqiao and Shenyang Xinchang, alleging that (i) certain sales activities of us prior to the Settlement, but not raised in the Historical Lawsuits, and (ii) some sales and marketing activities after the Settlement have infringed the Disputed Trademarks. As of the Latest Practicable Date, we were in the process of responding to such ongoing trademark related lawsuit, under which the plaintiff requires cease of alleged infringement actions and economic damage from us. The first hearing of this case was held on July 4, 2023 pending judgement rendered by the court.

Our Directors are of the view that, as advised by our PRC Legal Adviser, this ongoing lawsuit will not have material adverse impacts on our Group’s business operations and results of operations because (i) the alleged infringement actions do not involve trademarks that are critical to our business operations, such as our major brand names including Shiyue Daotian, Firewood Courtyard and Sunshine Family; (ii) we do not expect that the plaintiff’s claim is likely to be fully supported, or that the economic compensation, if any, will have a material impact on our results of operations and financial performance based on the following views of our PRC Legal Adviser (a) according to the Trademark Law of the PRC and relevant judicial interpretation, the finding of trademark infringement turns on the question of whether the use of a trademark that is similar to its registered trademark on the same goods, or the use of a trademark that is identical or similar to its registered trademark on similar goods, without the permission of the trademark registrant, may be easily lead to confusion, and in determining whether it constitutes confusion, the general attention of the relevant public shall be the criterion. Based on the above criteria, the PRC Legal Adviser does not believe that every

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evidence presented by the plaintiff proves that our business activities cause confusion among consumers; and (b) according to the Trademark Law of the PRC and relevant judicial interpretation, punitive compensation damages may only be applied to seriously malicious infringement of the trademark right, and the determination of seriousness of the circumstances should be based on a combination of factors including the means of infringement, the number of infringements, among others. Based on the above rules, and considering that the evidence presented by the plaintiff mainly dated before the Settlement, the PRC Legal Adviser is of the view that the above evidence may not be considered as a basis for a decision on punitive damages; and (iii) we have promptly undertaken rectification activities in relation to alleged infringement claims. Having considered the views of the Directors and the PRC Legal Adviser, and their basis thereof, nothing has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to doubt the Directors’ view in relation to the ongoing lawsuit’s impacts on the Group’s business operations and results of operations in any material respect. Moreover, we have enhanced our internal control mechanism comprehensively to control intellectual property related risks. See “Business – Risk Management and Internal Control.” We also cannot assure you that we will not experience any IP-related disputes in the future which may adversely affect our business and prospects. See “Risk Factor – We may be unable to adequately protect our intellectual property rights or may be subject to infringement claims of intellectual property rights or rights of third parties, which could harm the value of our brands and adversely affect our business.”

### Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of non-compliance. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in China during the Track Record Period and up to the Latest Practicable Date.

### RISK MANAGEMENT AND INTERNAL CONTROL

We have established our risk management systems to identify, assess, monitor and mitigate the risks that may hinder our success including strategic risks, operational risks, financial risks and legal risks.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted or will adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see “Directors, Supervisors and Senior Management.”

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- adopt various policies to ensure compliance with the Listing Rules, including but not limited to, aspects related to risk management, connected transactions and information disclosure;
- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in employee handbooks;
- organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;
- enhance our reporting and records system for production facilities, including centralizing their quality control and safety management systems and conducting regular inspections of the facilities;
- establish a set of emergency procedures in the event of major quality-related issues;
- provide enhanced training programs on quality assurance and product safety procedures;

In particular, we may be involved in trademark disputes from time to time. To further minimize the risks of alleged intellectual property infringements, whether or not inadvertently, we have enhanced our intellectual property related internal control mechanisms including:

### **Preventive Measures**

- implement *Shiyue Daotian Product Management Process Guidelines and Product Launch Process Management System*, which stipulate review and approval requirements to ensure compliance of our new product packaging design, product specification, promotional material, and printing technique with designated responsible personnel;
- establish the intellectual property management system, which requires the legal department to conduct clearance search for third-party intellectual property rights or related applications before launching our products, and inform the business department if prior rights are found. Our business department is required to provide alternatives to the legal department for if modification is needed. We will only launch products upon the completion of such clearance search;
- set up information system audit jointly conducted by our brand management department, quality control department and legal department during the processes of new product launch (including product re-launch), product packaging label review and advertising compliance review;

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- for products launched collaboratively with other parties, enhance compliance measures for intellectual property rights, especially obtaining all required authorizations to minimize relevant risks;
- screen all products and proactively remove any product that may be subject to potential intellectual property infringement allegation; and
- comprehensively review product packaging, promotional materials, and product descriptions including those published or distributed on or through our official website, social network platforms, online platforms, and offline sales channels.
- conduct compliance training sessions to educate employees on intellectual property right requirements for packaging, advertising, and product description and clarify relevant accountabilities with consequences including fines or termination of employment.

### **Detective measures**

- conduct internal inspections of packaging, advertising, and product details of sales department; and
- conduct cross-department investigation by our brand department, quality control department and legal department in the event of infringement claims or non-compliant matters and ensure corrective action is implemented if necessary. Our quality control department is also responsible for regular review to ensure timely rectification.

### **Assessment mechanism**

We have implemented *Accountability Assessment for Consumer Complaints* and established Complaints Management Committee comprising senior executives and professionals from finance department, legal department, and internal control department, among others, which is responsible for decision-making and management of complaint-related issues.

See – “Risk Factors – We may be unable to adequately protect our intellectual property rights or may be subject to infringement claims of intellectual property rights or rights of third parties, which could harm the value of our brands and adversely affect our business.”

To ensure the above compliance culture is embedded into everyday workflow and set the expectations for individual behavior across the organization, we will regularly conduct internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training.



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### AWARDS AND RECOGNITIONS

During the past few years, we have received numerous awards and recognitions, including:

<u>Awards/Recognitions</u>	<u>Award Year</u>	<u>Awarding Institutions/Authority</u>
Hurun China Food Industry Top 100	2022	Hurun Research Institute
New Force Brand	2022	Tmall Supermarket
A Hundred Million Club – Super Brand of 2022	2022	Tmall Supermarket
Best Partner	2022	JD Supermarket
Excellent Partner	2022	Meituan Instashopping
National Key Leading Enterprise of Agricultural Industrialization	2021	the Ministry of Agriculture and Rural Affairs of the People’s Republic of China, and the National Development and Reform Commission
Top 500 Chinese Agricultural Enterprises	2021	Farmer’s Daily
Most Potential Supplier	2021	Pagoda
JD Supermarket – Yearly Food and Beverage Bestseller – Top 10 Quality Product	2018	JD Supermarket