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You should read the following discussion and analysis with our historical financial information, including the notes thereto, included in the Accountants’ Report in Appendix I to this document. Our historical financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed “Risk Factors” and “Business.”

For the purpose of this section, unless the context otherwise requires, references to 2020, 2021 and 2022 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

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. We have achieved a strong sales growth during the Track Record Period and established a range of household brands for Chinese families.

We have achieved a healthy growth trajectory during the Track Record Period. Our total revenue increased from RMB2,327.0 million in 2020 to RMB3,598.3 million in 2021, and further to RMB4,532.9 million in 2022. Our total revenue increased from RMB910.2 million in the three months ended March 31, 2022 to RMB1,081.5 million in the three months ended March 31, 2023. Our gross profit increased from RMB404.7 million in 2020 to RMB537.5 million in 2021, and further to RMB779.5 million in 2022. Our gross profit increased from RMB154.5 million in the three months ended March 31, 2022 to RMB175.7 million in the three months ended March 31, 2023. Our adjusted net profit (*non-IFRS measure*) increased from RMB221.3 million in 2020 to RMB259.2 million in 2021, and further to RMB364.0 million in 2022. Our adjusted net profit (*non-IFRS measure*) increased from RMB62.9 million in the three months ended March 31, 2022 to RMB77.9 million in the three months ended March 31, 2023.

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BASIS OF PREPARATION

The Historical Financial Information (as defined in Appendix I to this document) has been prepared in accordance with all applicable IFRSs issued by the International Accounting Standards Board (“IASB”). We have consistently applied all applicable IFRSs throughout the Track Record Period, except for the new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2023. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. For more details of basis of preparation, see Note 1 of Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, including the following:

General Factors

Our business and operating results are impacted by general factors affecting China’s pantry staple food industry, which include:

- China’s overall economic growth and per capita disposable income;
- evolving consumption patterns and growth of consumer spending in China;
- growth and competition environment of the China’s pantry staple food industry; and
- relevant laws and regulations, governmental policies and initiatives affecting the pantry staple food industry.

Specific Factors

Our results of operations are also affected by a number of key factors specific to us, which include:

Brand Recognition and Consumer Base

Brand awareness and consumer recognition are critical to our long-term success. 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. 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 brands, notably exemplified by our success in Shiyue Daotian and Firewood Courtyard and a proven track record, according to Frost & Sullivan. See

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“Business – Our Brands and Products.” We believe that our strong brand names are critical to our consumer acquisition and retention, and our ability to continuously enhance recognition of our brands may impact our consumer base, our selling price, our market share and our results of operations.

Product Offerings

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. Our present product offerings mainly covers rice products, whole grain, bean and other products and dried food and other products. See “Business – Our Brand and Products.” Varying in retail prices, raw materials, package formats and sales channels, our different products have different positioning, thus different gross profit margins, and our revenue and profitability are largely affected by our product offerings.

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

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

Our focus on pre-packaged and premium products are critical to our revenue growth. According to Frost & Sullivan, the pantry staple industry has grown and is expected to continuously grow alongside the trend of increasing consumer needs for premium, healthy and fresh products, tracking the increasing trend of per capita disposable income in recent years and demonstrating the prevailing trend of premiumization in the industry. We have been dedicated to expanding our compelling product offerings catering to the growing consumer needs for premium, healthy and fresh products. We have adopted a vertically integrated operation model encompassing the entire industry chain, from procurement, storage, production and sale to logistics, and such model enables us to offer consumers fresh products

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that retain natural taste and aroma. Our strategic focus on pre-packaged and premium products contributed to our historical financial performance. In 2022, we had eight SKUs with annual revenue over RMB100 million, and two out of such eight SKUs were launched after 2021.

Sales Network

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 sell our products primarily through online channels, including e-commerce platforms and online self-operated stores. 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, according to Frost & Sullivan. During the Track Record Period, our revenue generated from online channels was RMB1,849.5 million, RMB2,716.6 million, RMB3,144.2 million and RMB777.5 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively, representing 79.4%, 75.5%, 69.3% and 71.9% of our total revenue in the respective periods. We not only maintain strong partnerships with, and have established leading positions on, prominent comprehensive e-commerce platforms, but also proactively explore new cooperation opportunities in emerging channels such as social e-commerce platforms and community group buying 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, according to Frost & Sullivan. Our focus on online sales allowed us to reach a wider consumer base and increase sales, especially during the COVID-19 pandemic. According to Frost & Sullivan, online channels enjoyed a much higher growth rate compared to offline channels in the rice industry. The market size of rice industry generated from online channel grew at a CAGR of 28.8% from 2018 to 2022, compared to the CAGR of 1.1% of the overall rice industry, in terms of revenue according to Frost & Sullivan. As such, our leading position in online channels is crucial to our financial performance.

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. In 2022, we became the fourth-largest company by revenue in the grocery retail channels for China’s rice, whole grain, bean and seed industry, according to Frost & Sullivan. From 2018 to 2022, the market size of grocery retail channel for the rice, whole grain, bean and seed industry has grown at a CAGR of approximately 17.5%, while the market size of traditional channel declined slightly, representing a negative CAGR of 0.6%, and the overall market size has grown at the CAGR of 1.6% during the same period, in terms of revenue, according to Frost & Sullivan. Therefore, our competitive strengths in grocery retail channel operation is crucial to our financial performance.

Our multichannel sales network keeps us updated on consumers’ product experiences and evolving preferences, that would inform our future products development and sales strategies upgrade. See “Business – Our Multichannel Sales Network.” We believe that our ability to grow our business will depend on whether we can continue to expand our sales network to connect with more customers and to provide them easy access to our products.

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Marketing efforts

The effectiveness of our sales and marketing activities is critical to our financial performance. We continuously solidify our brand awareness, and strengthen our close connection with consumers through different marketing activities. Our representative marketing events mainly include Shiyue Daotian Brand Day, quality content marketing, media collaboration, live streaming, immersive offline experience and celebrity endorsement and collaboration with KOLs and KOCs. We also utilize cross-channel marketing efforts to solidify our strong presence across multichannel sales network. Thus, we are able to continuously conduct tailored, interactive and entertaining activities to adapt to different sales channels and consumer profiles. See “Business – Branding and Marketing.” Our selling and distribution expenses were RMB126.1 million, RMB223.4 million, RMB314.8 million and RMB72.2 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively, accounting for 5.4%, 6.2%, 7.0% and 6.7% of our total revenue for the respective periods. As we continue to expand our business, we aim to continuously launch customized, innovative and entertaining marketing activities in adaption to the characteristics of different sales channels and consumer profiles to enhance consumer coverage and interaction. Our capability to cost-effectively carry out marketing activities is crucial for our operation efficiency and financial performance.

Procurement Management

Effective procurement management is key to our financial performance. We had raw materials costs of RMB1,590.1 million, RMB2,453.0 million, RMB2,973.1 million and RMB712.5 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively, accounting for 82.7%, 80.1%, 79.2% and 78.7% of our total cost of sales. We plan and manage procurement at a group level, and make procurement decisions based on consumer demand predictions made and past sales performance. Our procurement teams at each production base purchase raw materials leveraging their deep knowledge of local resources, the process of which is monitored by our Group. The prices of our raw materials may fluctuate with the market conditions. We collaborate with multiple suppliers from renowned places of origin for grains to reduce the risks of raw material shortage risks. See “Business – Raw Materials, Packaging Materials and Major Suppliers.” Our capability to cost-effectively procure raw materials is crucial for our overall cost management and sustainable growth.

Seasonality

Our results of operations are subject to seasonality, primarily due to the harvest season of our raw materials and sales peak resulted from holidays and shopping events. For example, the harvest season of raw grains that we generally procure, especially Northeast Rice, is from September to year end, and we generally purchase raw grains from September to year end. Therefore, we generally have relatively high volume of inventories, especially raw materials by the end of each year. In addition, we typically experience sales peak in holiday season such as Chinese New Year and sales events such as Double Eleven, which are generally by the year end or the beginning of a year. In preparation of such holiday season and shopping events, we

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generally have relatively high volume of inventories, especially finished products, by the end of each year. Accordingly, our results of operations fluctuate over the year, and our interim results may not be indicative of our annual results.

Impact of COVID-19

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

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

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

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a material impact on our financial position and operational results. Our

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management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our consolidated financial statements. Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 3 of Appendix I to this document.

Revenue Recognition

Income is classified as revenue when it arises from the sale of goods or the provision of services in the ordinary course of our business. Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

In relation to sales of goods, revenue is recognized when the customer takes possession of and accepts the products. Specifically, for the non-consignment sales arrangement with e-commerce platforms, we deliver goods to the e-commerce platform customers or consumers and recognize revenue when the goods are received and the settlement statement is confirmed by both parties. For consignment arrangements with the e-commerce platforms, we deliver the goods to the warehouses of e-commerce platforms and the platforms sell the goods to the end consumers. We recognize revenue when the sales information from the platforms are confirmed by both parties. If the products are a partial fulfilment of a contract covering other goods, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

We also provided raw grain purchasing agency services and warehousing services to our customers during the Track Record Period. In 2020 and the three months ended March 31, 2023, we did not generate any service income. In 2021 and 2022, our service income accounted for 0.02% and 0.00% of our revenue during the respective periods. Service income is recognized when the services are rendered. When we act in the capacity of an agent rather than as the principal in a transaction, the revenue is recognized when the related agent services are rendered at the net amount of commission received or to be received by us.

See Note 2(t) of Appendix I to this document.

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Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

<u>Category</u>	<u>Estimated Useful Life</u>
Plant and buildings	10 – 20 years
Machinery and equipment	3 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as interest expense capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

See Note 2(g) of Appendix I to this document.

Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

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Inventories are carried at the lower of cost and net realizable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognized for the right to recover products from customers sold with a right of return.

See Note 2(j)(i) of Appendix I to this document.

Share-based Payments

Our share-based payment arrangement includes share awards and transfers of paid-in capital among the equity shareholders as set out in Note 26 of Appendix I to this document.

Share awards

The fair value of the share awards granted to the employees is measured at the grant date, which represents the difference between the subscription price paid by the employees and the fair value of the paid-in capital of our shareholder at grant date. Where the share awards are settled by our shareholders, the share-based payment transaction is equity-settled from the perspective of our Group. Where there are no vesting conditions that the employees are required to meet, the fair value of the share awards is recognized as share-based payment expenses at the grant date, with a corresponding increase in a capital reserve within equity.

Transfers of paid-in capital among the equity shareholders

Where the employees transfer our paid-in capital without preferential rights to the new investors as paid-in capital with preferential rights as arranged by us in the capital raising transactions, and the considerations received by the employees with reference to fair value of paid-in capital with preferential rights, which exceeds the fair value of the equity instruments transferred, our Group recognized such excess as share-based payment expenses.

Share-based payment expenses for employees of our Group's subsidiaries are recognized as contributions to subsidiaries under interests in subsidiaries in our statement of financial position.

See Note 2(p)(iii) of Appendix I to this document.

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Other Investments in Debt and Equity Securities

We had investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures. Investments in debt and equity securities are recognized or derecognized on the date we commit to purchase or sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss for which transaction costs are recognized directly in profit or loss.

Classification

The investments are subsequently accounted for as follows, depending on their classification:

Investments Other Than Equity Investments

Non-equity investments held by us are classified into one of the following measurement categories:

- Amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- Fair value through other comprehensive income (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- Fair value through profit or loss, if the investment does not meet the criteria for being measured at amortized cost or fair value through other comprehensive income (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

Equity Investments

An investment in equity securities is classified as fair value through profit or loss unless the equity investment is not held for trading purposes and on initial recognition of the investment we make an election to designate the investment at fair value through other comprehensive income (non-recycling) such that subsequent changes in fair value are

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recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at fair value through profit or loss or fair value through other comprehensive income, are recognized in profit or loss as other income in accordance with the policy set out in Note 2(t)(v) of Appendix I to this document.

Fair Value Measurement

Assets and liabilities measured at fair value

We measure fair value of financial instruments using the following three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, for example, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, for example, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Our policy is to recognize transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

In respect of the valuation of level 3 fair value measurement financial liabilities, with reference to the guidance under the “Guidance Note on Director’s Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) selected qualified persons with adequate knowledge and conducted valuation on the financial liabilities without readily determinable fair value; (ii) carefully considered available information in assessing the financial data and assumptions including but not limited to risk-free interest rate, volatility, political and industry conditions; (iii) engaged independent valuer to appraise the fair value of certain financial liabilities that are significant, provided necessary financial to the valuer to assess our performed valuation procedures and discussed

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with the valuer on relevant assumptions; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis is fair and reasonable and our consolidated financial statements are properly prepared.

The reporting accountants have conducted their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants to express an opinion on Historical Financial Information. This standard requires that the reporting accountants plan and perform their work to obtain reasonable assurance about whether the Historical Financial Information as a whole is free from any material misstatement.

Details of the valuation measurement of the financial liabilities measured within level 3 fair value measurement, particularly the valuation techniques and key inputs, including significant unobservable inputs, and the relationship of unobservable inputs to valuation are disclosed in Note 28(e)(i) of Appendix I to this document. The reporting accountants’ opinion on the Historical Financial Information for the Track Record Period as a whole is set out in the Appendix I to this document.

In relation to the valuation of our level 3 financial liabilities, the Joint Sponsors have conducted, among others, the following due diligence work: (i) reviewed relevant notes in the Accountants’ Reports as contained in Appendix I to this document; (ii) discussed with our management to understand (a) the internal policies and procedures regarding valuation assessment of level 3 financial liabilities; (b) the procedures performed by us for such valuation; and (c) the key basis, methodologies and assumptions adopted by us for such valuation assessments; (iii) reviewed the valuation report regarding level 3 financial liabilities prepared by external independent valuation expert; and (iv) discussed with the reporting accountants about the work they have performed in relation to the Historical Financial Information. Based on the due diligence work conducted by the Joint Sponsors as described above, and having considered (i) the work performed by our management with respect to valuation of level 3 financial liabilities and the above view of our Directors; (ii) the work performed by the reporting accountants with respect to the Historical Financial Information; and (iii) the unqualified opinion provided by the reporting accountants on our Historical Financial Information as a whole as set out in Appendix I to this document, nothing has come to the Joint Sponsors’ attention that would cause them to disagree in any material respects with the valuation of level 3 financial liabilities as set out in Appendix I to this document.

Fair value of financial assets and liabilities carried at other than fair value

The carrying amount of our financial instruments carried at cost or amortized cost were not materially different from their fair values as of December 31, 2020, 2021, 2022 and March 31, 2023.

See Note 2(e) and Note 28(e) of Appendix I to this document.

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Income Tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if we have the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, we intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

See Note 2(r) of Appendix I to this document.

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the periods indicated:

	Year ended December 31,			Three months ended	
				March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Revenue	2,327,008	3,598,251	4,532,920	910,168	1,081,514
Cost of sales	(1,922,335)	(3,060,713)	(3,753,373)	(755,666)	(905,805)
Gross profit	404,673	537,538	779,547	154,502	175,709
Selling and distribution expenses	(126,065)	(223,430)	(314,833)	(64,267)	(72,224)
Administrative expenses	(38,778)	(272,475)	(858,250)	(20,231)	(28,670)
Other net income	7,010	49,277	27,403	2,481	3,724
Impairment losses (charged)/reversed on trade and other receivables	(368)	(1,356)	(9,698)	(7,830)	704
Profit/(loss) from operations	246,472	89,554	(375,831)	64,655	79,243
Finance costs	(20,278)	(10,089)	(3,909)	(721)	(3,914)
Changes in the carrying amount of financial instruments issued to investors	(207,342)	(244,748)	(178,596)	(43,151)	(55,051)
Profit/(loss) before taxation	18,852	(165,283)	(558,336)	20,783	20,278
Income tax	(4,878)	(7,581)	(5,883)	(1,031)	(1,665)
Profit/(loss) and total comprehensive income for the year/period attributable to equity shareholders of the Company	13,974	(172,864)	(564,219)	19,752	18,613

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Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net profit (*non-IFRS measure*) as additional financial measures, which is not required by, or presented in accordance with IFRSs. We believe that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (*non-IFRS measure*) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

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

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

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Notes:

- (1) Changes in the carrying amount of financial instruments issued to investors were primarily related to financial instruments granted to certain investors of our Series A, Series B and Series C financing. See “– Indebtedness – Financial Instruments Issued to Investors.”
- (2) Share-based payments are non-cash in nature and are not expected to result in future cash payments made by us, representing (i) share-based payments in relation to share awards of RMB691.0 million in 2022, which represented the difference between the fair value and price of the paid-in capital of Shiyue Zhongxin granted to Mr. Wang and Ms. Zhao as a consideration for their services rendered, see Note 26(a) of Appendix I to this document; and (ii) share-based payments of RMB187.3 million in 2021 and RMB48.6 million in 2022 in relation to transfers of paid-in capital from our certain senior management to new investors of Series B financing in 2021 and Series C financing in 2022, representing a consideration higher than the fair value of the transferred paid-in capital at the dates of share transfers, see Note 22(a) and Note 26(b) of Appendix I to this document. See “– Description of Major Components of Our Results of Operations – Administrative Expenses.”
- (3) [REDACTED] expenses are expenses related to the [REDACTED].

Revenue

Our total revenue increased by 54.6% from RMB2,327.0 million in 2020 to RMB3,598.3 million in 2021, and by 26.0% from RMB3,598.3 million in 2021 to RMB4,532.9 million in 2022. Our total revenue increased by 18.8% from RMB910.2 million in the three months ended March 31, 2022 to RMB1,081.5 million in the three months ended March 31, 2023, respectively. The high growth rate of our revenue at a CAGR of 39.6% from 2020 to 2022 outperformed the overall growth rate of the market size of China’s pantry staple food industry in terms of revenue with a CAGR of 3.1% from 2018 to 2022 according to Frost & Sullivan, see “Industry Overview – Overview of China’s Pantry Staple Food Industry.” Our outstanding revenue performance during the Track Record Period was primarily contributed by (i) our strategic focus on pre-packaged and premium products that generally features higher growth rate and growth potential than other products in the overall pantry staple food industry, according to Frost & Sullivan; (ii) our leading position in both online and grocery retail channels, while the market size of online and grocery retail channels features significantly higher growth rate and growth potential than traditional channel, according to Frost & Sullivan; (iii) our strong capability in expanding our sales channel network; (iv) the increasing customer demand for our products, attributed to our influential brand image and compelling product offerings; and (v) our improving sales and marketing efficiency along with our deepen penetration in different sales channels. See “– Major Factors Affecting our Operations – Specific Factors.”

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Revenue by Product Category

During the Track Record Period, we generated revenue from the sales of (i) rice products, primarily including pre-packaged rice products of different varieties, such as Daoxiang rice, long grain rice and Komachi rice, see “Business – Our Brands and Products – Rice Products;” (ii) whole grain, bean and other products, primarily including pre-packaged mixed brown rice, millet and red bean, and other products under this category refer to seed and corn product, see “Business – Our Brands and Products – Whole Grain, Bean and Other Products;” and (iii) dried food and other products, primarily including pre-packaged wood ear mushrooms, snow fungus mushroom and lotus seeds, and other products under this category mainly include by-products, such as bran, husk and fractioned rice, see “Business – Our Brands and Products – Dried Food And Other Products.” During the Track Record Period, a majority of our revenue was from sales of rice products and our revenue growth was primarily due to the increase from revenue generated from rice products. Our revenue from rice products was RMB1,871.4 million, RMB2,891.6 million and RMB3,621.7 million in 2020, 2021 and 2022, respectively. Our revenue from rice products was RMB735.4 million and RMB862.7 million in the three months ended March 31, 2022 and 2023, respectively.

The following table sets out a breakdown of our revenue by product category in absolute amounts and as percentages of our total revenue 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>									
Rice products	1,871,439	80.4	2,891,598	80.4	3,621,740	79.9	735,395	80.8	862,698	79.8
Whole grain, bean and other products	367,343	15.8	471,941	13.1	523,232	11.5	110,432	12.1	130,463	12.1
Dried food and other products	88,226	3.8	234,712	6.5	387,948	8.6	64,341	7.1	88,353	8.1
Total	<u>2,327,008</u>	<u>100.0</u>	<u>3,598,251</u>	<u>100.0</u>	<u>4,532,920</u>	<u>100.0</u>	<u>910,168</u>	<u>100.0</u>	<u>1,081,514</u>	<u>100.0</u>

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The following table sets out a breakdown of our sales volume and average selling price by product category for the periods indicated:

		Year ended December 31,			Three months ended March 31,	
		2020	2021	2022	2022	2023
Rice products	<i>sales volume (ton)</i>	255,952	475,772	594,287	121,578	134,628
	<i>average selling price⁽¹⁾(RMB/kg)</i>	7.3	6.1	6.1	6.0	6.4
Whole grain, bean and other products	<i>sales volume (ton)</i>	26,817	38,712	43,564	9,309	10,351
	<i>average selling price⁽¹⁾(RMB/kg)</i>	13.7	12.2	12.0	11.9	12.6
Dried food and other products	<i>sales volume (ton)</i>	61,459	148,918	203,962	36,851	38,920
	<i>average selling price⁽¹⁾(RMB/kg)</i>	1.4	1.6	1.9	1.7	2.3

Note:

- (1) The average selling price of a product by category for a period equals the revenue generated from sales of such product divided by the sales volume of the product for the same period.

The sales volume of our rice products, whole grain, bean and other products and dried food and other products all increased during the Track Record Period, primarily due to (i) increasing customer demand for our products, attributed to our enhanced brand recognition and our increasingly diverse product mix; and (ii) increasing number of sales channel partners that we cooperated with and our deepen penetration in different sales channels; and (iii) improved sales and marketing efficiency along with our deepen penetration in different sales channels. Particularly, the significant increase in the sales volume of dried food and other products was primarily due to the increase in the sales volume of by-products, mainly as a result of the increasing volume of by-products generated along with the increasing production of our rice products. Our average selling price of rice products and whole grain, bean and other products decreased from 2020 to 2021, and then remained relatively stable in 2022, primarily because we adopted relatively competitive pricing strategies for our products in 2021 to enhance market penetration, leveraging our upgraded product mix and improved production capacity. Our pricing strategies enabled us to solidify our market position and enhance our penetration in different sales channels with increasingly diversified retail models. Our average selling price of rice products and whole grain, bean and other products increased from the three months

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ended March 31, 2022 to the three months ended March 31, 2023, primarily due to the increasing price of raw materials. The average selling price of dried food and other products is relatively low, as it covers the by-products such as bran, husk and fractioned rice that are typically with low prices.

Revenue by Sales Channel

During the Track Record Period, we generated revenue from (i) sales through online channels, primarily including e-commerce platforms and online self-operated stores, see “Business – Our Multichannel Sales Network – Online Channels;” (ii) sales through grocery retail channels, primarily including NKAs and LKAs, see “Business – Our Multichannel Sales Network – Grocery Retail Channels;” (iii) sales to direct customers, primarily including catering companies, agricultural products companies, and other corporate and individual customers, see “Business – Our Multichannel Sales Network – Direct Customers;” and (iv) sales through distribution network, see “Business – Our Multichannel Sales Network – Distribution Network.” The following table sets out a breakdown of our revenue by sales channel in absolute amounts and as percentages of our revenue 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>									
Online channels										
- E-commerce platforms	1,585,577	68.1	2,190,615	60.9	2,657,296	58.6	616,986	67.8	677,324	62.6
- Online self-operated stores	263,918	11.3	525,966	14.6	486,894	10.7	80,290	8.8	100,198	9.3
Grocery retail channels	216,060	9.3	403,994	11.2	695,954	15.4	101,858	11.2	128,401	11.9
Direct customers	157,893	6.8	307,193	8.5	452,010	10.0	77,854	8.6	110,712	10.2
Distribution network	103,560	4.5	170,483	4.7	240,766	5.3	33,180	3.6	64,879	6.0
Total	<u>2,327,008</u>	<u>100.0</u>	<u>3,598,251</u>	<u>100.0</u>	<u>4,532,920</u>	<u>100.0</u>	<u>910,168</u>	<u>100.0</u>	<u>1,081,514</u>	<u>100.0</u>

Our revenue growth during the Track Record Period was primarily due to the increase in the revenue generated from online channels, especially e-commerce platforms. Our revenue from online channels increased by 15.7% from RMB2,716.6 million in 2021 to RMB3,144.2 million in 2022, and increased by 11.5% from RMB697.3 million in the three months ended March 31, 2022 to RMB777.5 million in the three months ended March 31, 2023 primarily due to our increased sales volume on online channels, mainly as a result of increasing customer demand for our products on e-commerce platforms, in line with the then market trend. As of December 31, 2020, 2021 and 2022, we operated 38, 58 and 48 self-operated stores,

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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.

Cost of Sales

Our cost of sales was RMB1,922.3 million, RMB3,060.7 million and RMB3,753.4 million in 2020, 2021 and 2022, respectively. Our cost of sales was RMB755.7 million and RMB905.8 million in the three months ended March 31, 2022 and 2023, respectively.

Cost of Sales by Nature

Our cost of sales primarily consists of (i) raw material costs, which mainly were costs for purchasing paddy, whole grain and bean, dried food and other raw materials; (ii) transportation expenses, primarily in relation to the transportation of finished products from our production bases to our warehouses, as well as from our warehouses to our customers; and (iii) packaging material costs, which mainly were costs for purchasing packaging bags and woven bags. The following table sets out a breakdown of the components of our cost of sales by nature in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2020		2021		2022		2022		2023	
	<i>% of</i>		<i>% of</i>		<i>% of</i>		<i>% of</i>		<i>% of</i>	
	<i>total</i>		<i>total</i>		<i>total</i>		<i>total</i>		<i>total</i>	
	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>
	<i>(Unaudited)</i>									
Raw materials	1,590,135	68.3	2,453,005	68.2	2,973,105	65.6	589,296	64.7	712,505	65.9
Transportation expenses	137,078	5.9	271,394	7.5	346,412	7.6	88,565	9.7	84,500	7.8
Packaging materials	140,644	6.0	215,323	6.0	266,856	5.9	47,310	5.2	63,262	5.8
Labor and employee costs	31,304	1.3	63,501	1.8	69,623	1.5	12,442	1.4	16,335	1.5
Energy and materials consumption	11,872	0.5	31,242	0.9	47,439	1.0	7,935	0.9	10,809	1.0
Depreciation	6,411	0.3	15,720	0.4	32,221	0.7	6,826	0.7	13,102	1.2
Taxes and surcharges	2,822	0.1	5,688	0.2	10,665	0.2	1,214	0.1	2,064	0.2
Others	2,069	0.1	4,840	0.1	7,052	0.2	2,078	0.2	3,228	0.3
Total	1,922,335	82.6	3,060,713	85.1	3,753,373	82.8	755,666	83.0	905,805	83.7

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Cost of Sales by Product Category

The following table sets out a breakdown of our cost of sales by product category in absolute amounts and as percentages of our total cost of sales 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>									
Rice products	1,585,950	82.5	2,484,667	81.2	3,020,916	80.5	612,579	81.1	732,037	80.8
Whole grain, bean and other products	259,790	13.5	369,112	12.1	396,849	10.6	85,014	11.2	95,990	10.6
Dried food and other products	76,595	4.0	206,934	6.8	335,608	8.9	58,073	7.7	77,778	8.6
Total	<u>1,922,335</u>	<u>100.0</u>	<u>3,060,713</u>	<u>100.0</u>	<u>3,753,373</u>	<u>100.0</u>	<u>755,666</u>	<u>100.0</u>	<u>905,805</u>	<u>100.0</u>

Gross Profit and Gross Profit Margin

Our gross profit was RMB404.7 million, RMB537.5 million and RMB779.5 million in 2020, 2021 and 2022, respectively. Our gross profit was RMB154.5 million and RMB175.7 million in the three months ended March 31, 2022 and 2023, respectively. Our gross profit margin was 17.4%, 14.9% and 17.2% in 2020, 2021 and 2022, respectively. Our gross profit margin was 17.0% and 16.2% in the three months ended March 31, 2022 and 2023, respectively.

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

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

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Our gross profit in relation to our online channels was RMB319.9 million, RMB406.6 million and RMB556.7 million in 2020, 2021 and 2022, respectively. Our gross profit in relation to our online channels was RMB123.8 million and RMB134.9 million in the three months ended March 31, 2022 and 2023, respectively. Our gross profit in relation to our offline channels was RMB84.8 million, RMB131.0 million and RMB222.9 million in 2020, 2021 and 2022, respectively. Our gross profit in relation to our offline channels was RMB30.7 million and RMB40.9 million in the three months ended March 31, 2022 and 2023, respectively. Our gross profit margin in relation to online channels was 17.3%, 15.0% and 17.7% in 2020, 2021 and 2022, respectively. Our gross profit margin in relation to online channels was 17.8% and 17.3% in the three months ended March 31, 2022 and 2023, respectively. Our gross profit margin in relation to offline channels was 17.7%, 14.9% and 16.1% in 2020, 2021 and 2022, respectively. Our gross profit margin in relation to offline channels was 14.4% and 13.4% in the three months ended March 31, 2022 and 2023, respectively.

Our gross profit margin decreased from 17.4% in 2020 to 14.9% in 2021, primarily because (i) we adopted relatively competitive pricing strategies for our products in 2021 to enhance market penetration, leveraging our upgraded product mix and improved production capacity; and (ii) the increase in our transportation expenses as a percentage of our revenue, from 5.9% in 2020 to 7.5% in 2021, generally in line with our increasing and enhancing transportation needs due to our increasing sales volume and improving needs for delivery efficiency. Our pricing strategies enabled us to solidify our market position and enhance our penetration in different sales channels with increasingly diversified retail models. Our gross profit margin increased from 14.9% in 2021 to 17.2% in 2022, primarily because (i) we have efficiently and flexibly adjusted raw material procurement strategies, specifically, we strategically procured raw materials when the prices were relatively low in 2021, and such raw materials were used for our production in 2022, so that our raw material cost as a percentage of revenue decreased from 68.2% in 2021 to 65.6% in 2022; and (ii) we have strategically upgraded our product mix, specifically, certain products with relatively high profit margin such as Daoxiang Rice and mixed brown rice accounted for an increasing percentage of our sales. Our gross profit margin decreased from 17.0% in the three months ended March 31, 2022 to 16.2% in the three months ended March 31, 2023, primarily due to the increasing price of raw materials despite our increasing selling price, and our raw material cost as a percentage of revenue increased from 64.7% in the three months ended March 31, 2022 to 65.9% in the three months ended March 31, 2023.

Selling and Distribution Expenses

Our selling and distribution expenses were RMB126.1 million, RMB223.4 million and RMB314.8 million in 2020, 2021 and 2022, respectively. Our selling and distribution expenses were RMB64.3 million and RMB72.2 million in the three months ended March 31, 2022 and 2023, respectively. Our selling and distribution expenses primarily included (i) platform service fees, mainly representing fees charged by e-commerce platforms primarily for technical support and for our marketing and promotional activities on the platforms; and (ii) employee costs, which were primarily salaries, bonuses, pension costs, other social insurance costs and housing benefits relating to our sales and marketing staff.

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The following table sets out a breakdown of the components of our selling and distribution expenses by nature and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2020		2021		2022		2022		2023	
	<i>% of</i>		<i>% of</i>		<i>% of</i>		<i>% of</i>		<i>% of</i>	
	<i>total</i>		<i>total</i>		<i>total</i>		<i>total</i>		<i>total</i>	
	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>
	<i>(Unaudited)</i>									
Platform service fees	92,956	4.0	123,642	3.4	132,177	2.9	25,811	2.8	29,873	2.8
Employee costs	19,285	0.8	71,654	2.0	142,820	3.2	33,176	3.6	34,642	3.2
Advertising and exhibition fees	1,495	0.1	7,035	0.2	16,157	0.4	706	0.1	2,010	0.2
Depreciation	3,436	0.1	7,589	0.2	10,137	0.2	2,135	0.2	2,870	0.3
Travel and transportation fees	2,318	0.1	4,461	0.1	4,843	0.1	663	0.1	1,312	0.1
Others	6,575	0.3	9,049	0.3	8,699	0.2	1,776	0.2	1,517	0.1
Total	126,065	5.4	223,430	6.2	314,833	7.0	64,267	7.1	72,224	6.7

Administrative Expenses

Our administrative expenses were RMB38.8 million, RMB272.5 million and RMB858.3 million in 2020, 2021 and 2022, respectively. Our administrative expenses were RMB20.2 million and RMB28.7 million in the three months ended March 31, 2022 and 2023, respectively. Our administrative expenses primarily included (i) labor costs, which were primarily salaries, bonuses, pension costs, other social insurance costs and housing benefits relating to our administrative staff; and (ii) share-based payments.

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The following table sets out a breakdown of the components of our administrative expenses and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2020		2021		2022		2022		2023	
	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	
	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	
	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>
	<i>(Unaudited)</i>									
Labor costs	17,175	0.7	51,779	1.4	73,300	1.6	13,980	1.5	15,118	1.4
Technical support and service fees	6,221	0.3	6,678	0.2	8,130	0.2	1,233	0.1	2,197	0.2
Office expenses	4,451	0.2	7,092	0.2	5,567	0.1	1,102	0.1	1,696	0.2
Depreciation and amortization	2,339	0.1	5,766	0.2	7,352	0.2	2,148	0.2	4,067	0.4
[REDACTED] expenses	-	-	-	-	10,102	0.2	-	-	4,232	0.4
Vehicles and transportation fees	2,246	0.1	4,464	0.1	2,698	0.1	438	0.0	643	0.1
Energy and material consumption	308	0.0	2,644	0.1	3,461	0.1	405	0.0	386	0.0
Share-based payments	-	-	187,348	5.2	739,569	16.3	-	-	-	-
Others	6,038	0.3	6,704	0.2	8,071	0.2	925	0.1	331	0.0
Total	38,778	1.7	272,475	7.6	858,250	18.9	20,231	2.2	28,670	2.7

The following table sets out a breakdown of our share-based payments 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>				
Share awards	-	-	690,986	-	-
Transfers of paid-in capital among the equity shareholders	-	187,348	48,583	-	-
Total share-based payments	-	187,348	739,569	-	-

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Our share-based payments included (i) share-based payments in relation to share awards of RMB691.0 million in 2022, which represented the difference of the fair value and price of the paid-in capital of Shiyue Zhongxin granted to Mr. Wang and Ms. Zhao as a consideration for their services rendered, see Note 26(a) of Appendix I to this document; and (ii) share-based payments of RMB187.3 million in 2021 and RMB48.6 million in 2022 in relation to transfers of paid-in capital from our certain senior management to new investors of Series B financing in 2021 and Series C financing in 2022, representing a consideration higher than the fair value of the transferred paid-in capital at the dates of share transfers, see Note 22(a) and Note 26(b) of Appendix I to this document.

The transfers of paid-in capital are viewed as being, in substance, two transactions: (i) the Company repurchased its paid-in capital (the “**Equity Instrument**”) from certain senior management using proceeds received from Series B and Series C financing, which is higher than the then fair value of the Equity Instrument held by the senior management; and (ii) the Company issued paid-in capital and preferential rights to the Series B and Series C investors. In the first transaction, in accordance with IFRS 2, when the Company repurchased vested equity instruments, the payment made to the senior management was accounted for as a deduction from equity, except to the extent that the payment exceeds the fair value of the Equity Instruments repurchased, measured at the repurchase date. Any such excess was recognized as an expense (see Note 26(b) of Appendix I to this document). In the second transaction, the Company issued paid-in capital and granted Series B and Series C investors a right to put back the paid-in capital to the Company upon the occurrence of agreed redemption events (see Note 22(a) of Appendix I to this document). Under such arrangements, the Company has an obligation to purchase its own equity instruments for cash, which gives rise to a financial liability and the financial liability is initially measured at the present value of the redemption amount according to IAS 32.

Other Net Income

Our other net income was RMB7.0 million, RMB49.3 million and RMB27.4 million in 2020, 2021 and 2022, respectively. Our other net income was RMB2.5 million and RMB3.7 million in the three months ended March 31, 2022 and 2023, respectively. Our other income was primarily (i) government grants, mainly representing the grants from local government authorities as a recognition of our brands, products and produce capacity that contribute to the development of the local pantry staple food industry, as well as grants from local governments motivating us to promote production efficiency and revenue growth; and (ii) investment income, primarily consisting of investment income on financial assets at fair value through profit or loss, representing the income generated from our wealth management products, see “– Discussion of Selected Items from the Consolidated Statements of Financial Position – Financial Assets at Fair Value through Profit or Loss.” A significant portion of government grants we received during the Track Record Period came from *China Good Grain and Oil* project, which was initiated by local governments to promote local agricultural industry value chain and to encourage industry players to enhance production efficiency. Since 2020, several projects of our subsidiaries Shenyang Xinchang and Wuchang Caiqiao have achieved production capacity improvement that met the standards of *China Good Grain and Oil* project, in recognition of which local governments provided grants to us.

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The following table sets out a breakdown of our other net income 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>	
Government grants	7,205	44,030	15,967	903	2,809
Investment income	–	4,846	8,035	1,542	–
Interest income	65	248	2,037	70	716
Net income from sales of raw materials	764	967	2,252	109	200
Net loss on disposal of property, plant and equipment	(1,024)	(814)	(888)	(143)	(1)
Total	<u>7,010</u>	<u>49,277</u>	<u>27,403</u>	<u>2,481</u>	<u>3,724</u>

Impairment Losses charged or reversed on Trade and Other Receivables

We had impairment losses charged on trade and other receivables of RMB0.4 million, RMB1.4 million and RMB9.7 million in 2020, 2021 and 2022, respectively. We had impairment losses charged on trade and other receivables of RMB7.8 million in the three months ended March 31, 2022 and impairment losses reversed on trade and other receivables of RMB0.7 million in the three months ended March 31, 2023. See “– Financial Risk Disclosure – Credit Risk.”

Finance Costs

Our finance costs were RMB20.3 million, RMB10.1 million and RMB3.9 million in 2020, 2021 and 2022, respectively. Our finance costs were RMB0.7 million and RMB3.9 million in the three months ended March 31, 2022 and 2023, respectively. Our finance costs mainly were interest expenses on bank and other loans, see “– Indebtedness – Bank and Other Loans.”

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The following table sets out a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Three months ended	
	2020	2021	2022	March 31,	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Interest expenses on bank and other loans	20,049	9,423	3,300	546	3,709
Interest on lease liabilities	229	666	609	175	205
Total	20,278	10,089	3,909	721	3,914

Changes in the Carrying Amount of Financial Instruments Issued to Investors

We had changes in the carrying amount of financial instruments issued to investors of RMB207.3 million, RMB244.7 million and RMB178.6 million in 2020, 2021 and 2022, respectively. We had changes in the carrying amount of financial instruments issued to investors of RMB43.2 million and RMB55.1 million in the three months ended March 31, 2022 and 2023, respectively. The changes in the carrying amount of financial instruments issued to investors were primarily related to financial instruments granted to certain investors of our Series A, Series B and Series C financing. The financial instruments are initially measured at the present value of the redemption amount and subsequently measured at amortized cost with interest expense being included in changes in the carrying amount of financial instruments issued to investors. See “– Indebtedness – Financial Instruments Issued to Investors” and Note 22 of Appendix I to this document.

Income Tax

Our income tax was RMB4.9 million, RMB7.6 million and RMB5.9 million in 2020, 2021 and 2022, respectively. Our income tax was RMB1.0 million and RMB1.7 million in the three months ended March 31, 2022 and 2023, respectively. Our subsidiaries established in China were subject to Chinese corporate income tax rate of 25% during the Track Record Period. In accordance with the relevant tax regulations in China, assessable profit of our Group arising from preliminary processing of agricultural products is eligible for income tax exemption. Our income tax expense represented 2.2%, 2.8%, 1.6%, 1.6% and 2.2% of the loss before income tax (excluding the effect of non-deductible expenses, mainly refer to changes in the carrying amount of financial instruments issued to investors and share-based payments expenses exceeding the deductible amount) in 2020, 2021, 2022, the three months ended March 31, 2022 and 2023 respectively. Such rate increased from 2.2% in 2020 to 2.8% in 2021 mainly due to the increase in government grants and the investment income, and decreased to 1.6% in 2022 mainly due to (i) the increase in the portion of income attributable to our preliminary-processed

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agricultural products as these products are subject to income tax exemption; and (ii) the decrease in government grants received. Such rate increased from 1.6% in the three months ended March 31, 2022 to 2.2% in the three months ended March 31, 2023, primarily due to the decrease in the percentage of income attributable to our preliminary-processed agricultural products as these products are subject to income tax exemption.

During the Track Record Period and up to the Latest Practicable Date, we had made all the required tax filings with the relevant tax authorities in China and we were not aware of any outstanding or potential disputes with such tax authorities.

Profit/(loss) for the Period

We had net profit of RMB14.0 million in 2020. We had net loss of RMB172.9 million and RMB564.2 million in 2021 and 2022, respectively. We had net profit of RMB19.8 million and RMB18.6 million in the three months ended March 31, 2022 and 2023, respectively. Our adjusted net profit (*non-IFRS measure*) was RMB221.3 million, RMB259.2 million and RMB364.0 million in 2020, 2021 and 2022, respectively. Our adjusted net profit (*non-IFRS measure*) was RMB62.9 million and RMB77.9 million in the three months ended March 31, 2022 and 2023, respectively.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2023 Compared with Three Months Ended March 31, 2022

Revenue

Revenue by Product Category

Our total revenue increased by 18.8% from RMB910.2 million in the three months ended March 31, 2022 to RMB1,081.5 million in the three months ended March 31, 2023, primarily due to the increase in the revenue generated from rice products.

Our revenue from rice products increased by 17.3% from RMB735.4 million in the three months ended March 31, 2022 to RMB862.7 million in the three months ended March 31, 2023. Our revenue from whole grain, bean and other products increased by 18.1% from RMB110.4 million in the three months ended March 31, 2022 to RMB130.5 million in the three months ended March 31, 2023. Our revenue from dried food and other products increased by 37.3% from RMB64.3 million in the three months ended March 31, 2022 to RMB88.4 million in the three months ended March 31, 2023. Such increases were all primarily due to the increasing sales volume of our products, mainly as a result of (i) the increasing customer demand for our products, attributed to our enhanced brand recognition, as well as new series of rice products and increasingly diversified whole grain and bean product mix; (ii) improved sales and marketing efficiency along with our deepen penetration in different sales channels; and (iii) increasing number of sales channel partners that we cooperated with. In addition, we had increasing sales volume of by-products such as bran, husk and fractioned rice, mainly as a result of the increasing volume of by-products generated along with the increasing production of our rice products.

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Revenue by Sales Channel

Our total revenue increased by 18.8% from RMB910.2 million in the three months ended March 31, 2022 to RMB1,081.5 million in the three months ended March 31, 2023, primarily due to the increase in the revenue generated from online channels.

Our revenue from online channels increased by 11.5% from RMB697.3 million in the three months ended March 31, 2022 to RMB777.5 million in the three months ended March 31, 2023, primarily due to our increased sales volume on online channels, mainly as a result of increasing customer demand for our products on e-commerce platforms. Our revenue from e-commerce platforms increased by 9.8% from RMB617.0 million in the three months ended March 31, 2022 to RMB677.3 million in the three months ended March 31, 2023.

Our revenue from grocery retail channels increased by 26.1% from RMB101.9 million in the three months ended March 31, 2022 to RMB128.4 million in the three months ended March 31, 2023, primarily due to (i) the increasing number of NKAs and LKAs that we cooperated with; and (ii) the improving sales performance in existing NKA and LKA channels along with our deepen cooperation with them. Such improving performance was primarily due to our enhanced focus on the grocery retail channels, taking into consideration our existing good performance and experience on other sales channels.

Our revenue from direct customers increased by 42.2% from RMB77.9 million in the three months ended March 31, 2022 to RMB110.7 million in the three months ended March 31, 2023, primarily due to (i) the improving sales performance in relation to direct customers along with our deepen cooperation with them; and (ii) increasing sales of by-products to agricultural products companies, mainly due to the increasing volume of by-products generated along with the increasing production of our rice products.

Our revenue from distribution network increased by 95.5% from RMB33.2 million in the three months ended March 31, 2022 to RMB64.9 million in the three months ended March 31, 2023, primarily due to the improving sales performance in distribution network along with our deepen cooperation with our distributors.

Cost of Sales

Cost of Sales by Nature

Our cost of sales increased by 19.9% from RMB755.7 million in the three months ended March 31, 2022 to RMB905.8 million in the three months ended March 31, 2023, primarily due to the increase in the raw material costs. Our raw material costs increased by 20.9% from RMB589.3 million in the three months ended March 31, 2022 to RMB712.5 million in the three months ended March 31, 2023, mainly driven by (i) the increasing price of raw materials, especially paddy; and (ii) the increased raw materials we consumed to satisfy our business growth needs, and such increase was in line with our revenue growth.

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Cost of Sales by Product Category

Our cost of sales increased by 19.9% from RMB755.7 million in the three months ended March 31, 2022 to RMB905.8 million in the three months ended March 31, 2023, primarily due to the increase in the cost of sales in relation to rice products. Our cost of sales in relation to rice products increased by 19.5% from RMB612.6 million in the three months ended March 31, 2022 to RMB732.0 million in the three months ended March 31, 2023. Our cost of sales in relation to whole grain, bean and other products increased by 12.9% from RMB85.0 million in the three months ended March 31, 2022 to RMB96.0 million in the three months ended March 31, 2023. Our cost of sales in relation to dried food and other products increased by 33.9% from RMB58.1 million in the three months ended March 31, 2022 to RMB77.8 million in the three months ended March 31, 2023. Such increases were primarily due to (i) the increasing sales volume of our products, which was in line with our revenue growth; and (ii) the increasing price of raw materials, especially paddy.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 13.7% from RMB154.5 million in the three months ended March 31, 2022 to RMB175.7 million in the three months ended March 31, 2023, primarily due to the increase in the gross profit from our whole grain, bean and other products. Our gross profit margin decreased from 17.0% in the three months ended March 31, 2022 to 16.2% in the three months ended March 31, 2023, primarily due to the increasing price of raw materials despite our increasing selling price, and our raw material cost as a percentage of revenue increased from 64.7% in the three months ended March 31, 2022 to 65.9% in the three months ended March 31, 2023.

Rice products. Our gross profit from rice products increased by 6.4% from RMB122.8 million in the three months ended March 31, 2022 to RMB130.7 million in the three months ended March 31, 2023, primarily due to the increasing sales volume of our rice products. Our gross profit margin in relation to rice products decreased from 16.7% in the three months ended March 31, 2022 to 15.1% in the three months ended March 31, 2023, primarily due to the increasing price of raw materials, especially paddy, despite our increasing selling price. For selling prices analysis, see “– Description of Major Components of Our Results of Operations – Revenue – Revenue by Product Category.”

Whole grain, bean and other products. Our gross profit from whole grain, bean and other products increased by 35.6% from RMB25.4 million in the three months ended March 31, 2022 to RMB34.5 million in the three months ended March 31, 2023. Our gross profit margin in relation to whole grain, bean and other products increased from 23.0% in the three months ended March 31, 2022 to 26.4% in the three months ended March 31, 2023. The increase in the gross profit and gross profit margin of our whole grain, bean and other products was primarily due to the increase in selling price that contributed to the improving gross profit margin of certain products such as beans and millet.

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Dried food and other products. Our gross profit from dried food and other products increased by 68.7% from RMB6.3 million in the three months ended March 31, 2022 to RMB10.6 million in the three months ended March 31, 2023. Our gross profit margin in relation to dried food and other products increased from 9.7% in the three months ended March 31, 2022 to 12.0% in the three months ended March 31, 2023. The increase in the gross profit and gross profit margin of our dried food and other products was primarily due to the increasing percentage of sales from dried food that generally features higher gross profit margin than by-products.

Our gross profit in relation to our online channels increased by 8.9% from RMB123.8 million in the three months ended March 31, 2022 to RMB134.9 million in the three months ended March 31, 2023, primarily due to our increased sales volume on online channels, mainly as a result of increasing customer demand for our products on e-commerce platforms. Our gross profit in relation to our offline channels increased by 33.1% from RMB30.7 million in the three months ended March 31, 2022 to RMB40.9 million in the three months ended March 31, 2023, primarily due to our increased sales volume on offline channels, mainly contributed by (i) the increasing number of offline channel partners that we cooperated with; and (ii) the improving sales performance in existing offline channels along with our deepen cooperation with them. Our gross profit margin in relation to online channels decreased from 17.8% in the three months ended March 31, 2022 to 17.3% in the three months ended March 31, 2023, and our gross profit margin in relation to offline channels decreased from 14.4% in the three months ended March 31, 2022 to 13.4% in the three months ended March 31, 2023, primarily due to the increasing price of raw materials, and our raw material cost as a percentage of revenue increased from 64.7% in the three months ended March 31, 2022 to 65.8% in the three months ended March 31, 2023.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 12.4% from RMB64.3 million in the three months ended March 31, 2022 to RMB72.2 million in the three months ended March 31, 2023, primarily due to (i) the increase in our platform services fees, mainly representing fees charged by e-commerce platforms primarily for our marketing and promotional activities on the platforms, which was in line with our online presence expansion; and (ii) the advertising and exhibition fees which was in line with our increasing online and offline marketing and promotional activities.

Administrative Expenses

Our administrative expenses increased by 41.7% from RMB20.2 million in the three months ended March 31, 2022 to RMB28.7 million in the three months ended March 31, 2023, primarily due to the increase in [REDACTED] fees.

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Other Net Income

Our other net income increased significantly from RMB2.5 million in the three months ended March 31, 2022 to RMB3.7 million in the three months ended March 31, 2023, primarily due to the increase in government grants from RMB0.9 million in the three months ended March 31, 2022 to RMB2.8 million in the three months ended March 31, 2023, as we received grants from local governments motivating us to promote production efficiency and revenue growth. Such increase was partially offset by the decrease in our investment income from RMB1.5 million in the three months ended March 31, 2022 to nil in the three months ended March 31, 2023, as we redeemed our wealth management products in 2022 and we had no investment in wealth management products during the three months ended March 31, 2023. See “– Discussion of Selected Items from the Consolidated Statements of Financial Position – Financial Assets at Fair Value through Profit or Loss.”

Impairment Losses charged or reversed on Trade and Other Receivables

We had impairment losses reversed on trade and other receivables of RMB0.7 million in the three months ended March 31, 2023, compared to impairment losses charged on trade and other receivables of RMB7.8 million in the three months ended March 31, 2022, primarily because we collected a large amount of outstanding trade receivables in the three months ended March 31, 2023, mitigating the credit risk in relation to our trade receivables.

Finance Costs

Our finance costs increased significantly from RMB0.7 million in the three months ended March 31, 2022 to RMB3.9 million in the three months ended March 31, 2023, primarily due to the increase in the interest expenses on bank and other loans, because we mainly borrowed bank and other loans in late 2022 and had more interest expenses for the three months ended March 31, 2023.

Changes in the Carrying Amount of Financial Instruments Issued to Investors

Our changes in the carrying amount of financial instruments issued to investors increased by 27.6% from RMB43.2 million in the three months ended March 31, 2022 to RMB55.1 million in the three months ended March 31, 2023, primarily due to the changes in the carrying amount of the financial instruments granted to certain investors of our Series C financing.

Income Tax

Our income tax increased by 61.5% from RMB1.0 million in the three months ended March 31, 2022 to RMB1.7 million in the three months ended March 31, 2023, primarily due to the increase in the taxable income, especially the increase in the portion of income from the non-preliminary processing of agricultural products as these products are not subject to income tax exemption and government grants we received in the three months ended March 31, 2022.

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Profit for the Period

As a result of the foregoing, our net profit decreased by 5.8% from RMB19.8 million in the three months ended March 31, 2022 to RMB18.6 million in the three months ended March 31, 2023.

Year Ended December 31, 2022 Compared with Year Ended December 31, 2021

Revenue

Revenue by Product Category

Our total revenue increased by 26.0% from RMB3,598.3 million in 2021 to RMB4,532.9 million in 2022, primarily due to the increase in the revenue generated from rice products.

Our revenue from rice products increased by 25.3% from RMB2,891.6 million in 2021 to RMB3,621.7 million in 2022. Our revenue from whole grain, bean and other products increased by 10.9% from RMB471.9 million in 2021 to RMB523.2 million in 2022. Our revenue from dried food and other products increased by 65.3% from RMB234.7 million in 2021 to RMB387.9 million in 2022. Such increases were all primarily due to the increasing sales volume of our products, mainly as a result of (i) the increasing customer demand for our products, attributed to our enhanced brand recognition, as well as new series of rice products and increasingly diversified whole grain and bean product mix; (ii) improved sales and marketing efficiency along with our deepen penetration in different sales channels; and (iii) increasing number of sales channel partners that we cooperated with. In addition, we had increasing sales volume of by-products such as bran, husk and fractioned rice, mainly as a result of the increasing volume of by-products generated along with the increasing production of our rice products.

Revenue by Sales Channel

Our total revenue increased by 26.0% from RMB3,598.3 million in 2021 to RMB4,532.9 million in 2022, primarily due to the increase in the revenue generated from online channels.

Our revenue from online channels increased by 15.7% from RMB2,716.6 million in 2021 to RMB3,144.2 million in 2022, primarily due to our increased sales volume on online channels, mainly as a result of increasing customer demand for our products on e-commerce platforms, in line with the then market trend. As of December 31, 2020, 2021 and 2022, we operated 38, 58 and 48 self-operated stores, respectively. The number of our online self-operated stores decreased from 58 as of December 31, 2021 to 48 as of December 31, 2022, primarily because we closed the stores 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.

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Our revenue from grocery retail channels increased by 72.3% from RMB404.0 million in 2021 to RMB696.0 million in 2022, primarily due to (i) the increasing number of NKAs and LKAs that we cooperated with, from 70 as of December 31, 2021 to 90 as of December 31, 2022; and (ii) the improving sales performance in existing NKA and LKA channels along with our deepen cooperation with them. Such increase was primarily due to our enhanced focus on the grocery retail channels, taking into consideration our existing good performance and experience on other sales channels.

Our revenue from direct customers increased by 47.1% from RMB307.2 million in 2021 to RMB452.0 million in 2022, primarily due to (i) the increasing number of direct customers, especially catering companies and other corporate and individual customers; and (ii) increasing sales of by-products to agricultural products companies, mainly due to the increasing volume of by-products generated along with the increasing production of our rice products.

Our revenue from distribution network increased by 41.2% from RMB170.5 million in 2021 to RMB240.8 million in 2022, primarily due to the increasing number of distributors that we cooperated with. We had 602 distributors by the end of 2022, compared to 356 by the end of 2021.

Cost of Sales

Cost of Sales by Nature

Our cost of sales increased by 22.6% from RMB3,060.7 million in 2021 to RMB3,753.4 million in 2022, primarily due to the increase in the raw material costs. Our raw material costs increased by 21.2% from RMB2,453.0 million in 2021 to RMB2,973.1 million in 2022, mainly driven by the increased volume of raw materials we purchased to satisfy our business growth needs, and such increase was in line with our revenue growth.

Cost of Sales by Product Category

Our cost of sales increased by 22.6% from RMB3,060.7 million in 2021 to RMB3,753.4 million in 2022, primarily due to the increase in the cost of sales in relation to rice products. Our cost of sales in relation to rice products increased by 21.6% from RMB2,484.7 million in 2021 to RMB3,020.9 million in 2022. Our cost of sales in relation to whole grain, bean and other products increased by 7.5% from RMB369.1 million in 2021 to RMB396.8 million in 2022. Our cost of sales in relation to dried food and other products increased by 62.2% from RMB206.9 million in 2021 to RMB335.6 million in 2022. Such increases were all primarily due to the increasing sales volume of our products, which was in line with our revenue growth.

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Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 45.0% from RMB537.5 million in 2021 to RMB779.5 million in 2022, primarily due to the increase in the gross profit from our rice products. Our gross profit from rice products increased by 47.6% from RMB406.9 million in 2021 to RMB600.8 million in 2022. Our gross profit from whole grain, bean and other products increased by 22.9% from RMB102.8 million in 2021 to RMB126.4 million in 2022. Our gross profit from dried food and other products increased by 88.4% from RMB27.8 million in 2021 to RMB52.3 million in 2022.

Our gross profit margin increased from 14.9% in 2021 to 17.2% in 2022. Our gross profit margin in relation to rice products increased from 14.1% in 2021 to 16.6% in 2022. Our gross profit margin in relation to whole grain, bean and other products increased from 21.8% in 2021 to 24.2% in 2022. Our gross profit margin in relation to dried food and other products increased from 11.8% in 2021 to 13.5% in 2022.

The improvement in our gross profit and gross profit margin was primarily because (i) we have efficiently and flexibly adjusted raw material procurement strategies, specifically, we strategically procured raw materials when the prices were relatively low in 2021, and such raw materials were used for our production in 2022, so that our raw material cost as a percentage of revenue decreased from 68.2% in 2021 to 65.6% in 2022; and (ii) we have strategically upgraded our product mix, specifically, certain products with relatively high profit margin such as Daoxiang Rice and mixed brown rice accounted for an increasing percentage of our sales.

Our gross profit in relation to our online channels increased by 36.9% from RMB406.6 million in 2021 to RMB556.7 million in 2022, primarily due to our increased sales volume on online channels, mainly as a result of increasing customer demand for our products on e-commerce platforms, in line with the then market trend. Our gross profit in relation to our offline channels increased by 70.2% from RMB131.0 million in 2021 to RMB222.9 million in 2022, primarily due to our increased sales volume on offline channels, mainly contributed by (i) the increasing number of offline channel partners that we cooperated with; and (ii) the improving sales performance in existing offline channels along with our deepen cooperation with them. Our gross profit margin in relation to online channels increased from 15.0% in 2021 to 17.7% in 2022, and our gross profit margin in relation to offline channels increased from 14.9% in 2021 to 16.1% in 2022, primarily because (i) we have efficiently and flexibly adjusted raw material procurement strategies, specifically, we strategically procured raw materials when the prices were relatively low in 2021, and such raw materials were used for our production in 2022, so that our raw material cost as a percentage of revenue decreased from 68.2% in 2021 to 65.6% in 2022; and (ii) our increasing selling price on certain channels in 2022, especially online channels, leveraging our enhanced insights for operation on such channels, while we adopted relatively competitive pricing strategies in 2021 when we were at a relatively early stage operating on such channels.

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Selling and Distribution Expenses

Our selling and distribution expenses increased by 40.9% from RMB223.4 million in 2021 to RMB314.8 million in 2022, primarily due to (i) the increase in employee costs, primarily due to the increasing number of sales and marketing staff to satisfy the needs of our enhancing sales and marketing efforts, especially for the expansion of our grocery retail channels; (ii) the increase in our advertising and exhibition fees, which was in line with our increasing online and offline marketing and promotional activities; and (iii) the increase in our platform service fees, mainly representing fees charged by e-commerce platforms primarily for our marketing and promotional activities on the platforms, which was in line with our online presence expansion.

Administrative Expenses

Our administrative expenses increased significantly from RMB272.5 million in 2021 to RMB858.3 million in 2022, primarily due to the significant increase in share-based payments as we had share awards of RMB691.0 million in 2022, compared to nil in 2021. Such share awards represented the difference between the fair value and price of the paid-in capital of Shiyue Zhongxin granted to Mr. Wang and Ms. Zhao, see Note 26(a) of Appendix I to this document.

Other Net Income

Our other net income decreased by 44.4% from RMB49.3 million in 2021 to RMB27.4 million in 2022, primarily due to the decrease in the government grants, as we received more government grants in relation to the *China Good Grain and Oil* project in 2021.

Impairment Losses charged on Trade and Other Receivables

Our impairment losses charged on trade and other receivables increased significantly from RMB1.4 million in 2021 to RMB9.7 million in 2022, mainly as a result of the one-off write-off in relation to trade receivables of a certain customer due to its business deterioration, see “– Financial Risk Disclosure – Credit Risk.” As of the Latest Practicable Date, we had terminated our cooperation with such customer. We had no outstanding trade receivables from such customer as of December 31, 2022 and the Latest Practicable Date.

Finance Costs

Our finance costs decreased by 61.3% from RMB10.1 million in 2021 to RMB3.9 million in 2022, primarily due to the decrease in the interest expenses on bank and other loans, because we mainly borrowed bank and other loans in late 2022, thus the period with interest accrued in 2022 was not that long compared to 2021.

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Changes in the Carrying Amount of Financial Instruments Issued to Investors

Our changes in the carrying amount of financial instruments issued to investors decreased by 27.0% from RMB244.7 million in 2021 to RMB178.6 million in 2022, primarily due to the changes in the carrying amount of the financial instruments granted to certain investors of our Series A, Series B and Series C financing. See “– Indebtedness – Financial Instruments Issued to Investors” and Note 22 of Appendix I to this document.

Income Tax

Our income tax decreased by 22.4% from at RMB7.6 million in 2021 to RMB5.9 million in 2022, primarily due to the decrease in the taxable income, especially the decrease in the taxable income from the non-preliminary processing of agricultural products as these products are not subject to income tax exemption and the government grants we received in 2022.

Loss for the Year

As a result of the foregoing, our net loss increased significantly from RMB172.9 million in 2021 to RMB564.2 million in 2022.

Year ended December 31, 2021 Compared with the Year Ended December 31, 2020

Revenue

Revenue by Product Category

Our total revenue increased by 54.6% from RMB2,327.0 million in 2020 to RMB3,598.3 million in 2021, primarily due to the increase in the revenue generated from rice products.

Our revenue from rice products increased by 54.5% from RMB1,871.4 million in 2020 to RMB2,891.6 million in 2021. Our revenue from whole grain, bean and other products increased by 28.5% from RMB367.3 million in 2020 to RMB471.9 million in 2021. Our revenue from dried food and other products increased significantly from RMB88.2 million in 2020 to RMB234.7 million in 2021. Such increases were all primarily due to the increasing sales volume of our products, mainly as a result of (i) the increasing customer demand for our products, attributed to our enhanced brand recognition, as well as new series of rice products and increasingly diversified whole grain and bean product mix; and (ii) our deepen penetration in emerging channels; and (iii) improved sales and marketing efficiency along with our deepen penetration in different sales channels. In addition, we had increasing sales volume of by-products such as bran, husk and fractioned rice, mainly as a result of the increasing volume of by-products generated along with the increasing production of our rice products.

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Revenue by Sales Channel

Our total revenue increased by 54.6% from RMB2,327.0 million in 2020 to RMB3,598.3 million in 2021, primarily due to the increase in the revenue generated from online channels.

Our revenue from online channels increased by 46.9% from RMB1,849.5 million in 2020 to RMB2,717.0 million in 2021, primarily due to our increased sales volume on online channels, mainly as a result of (i) our deepen penetration in emerging online channels and (ii) increasing customer demand for our products, attributed to our enhanced brand recognition and our increasingly diverse product mix.

Our revenue from grocery retail channels increased by 87.0% from RMB216.1 million in 2020 to RMB404.0 million in 2021, primarily due to the increasing number of NKAs and LKAs that we cooperated with, from 39 as of December 31, 2020 to 70 as of December 31, 2021. Such increase was primarily due to our enhanced focus on the grocery retail channels, taking into consideration our existing good performance and experience on other sales channels.

Our revenue from direct customers increased by 94.6% from RMB157.9 million in 2020 to RMB307.2 million in 2021, primarily due to (i) the increasing number of direct customers, especially catering companies and other corporate and individual customers; and (ii) increasing sales of by-products to agricultural products companies by-product mainly due to the increasing volume of by-products generated along with the increasing production of our rice products.

Our revenue from distribution network increased by 64.6% from RMB103.6 million in 2020 to RMB170.5 million in 2021, primarily due to the increasing number of distributors that we cooperated with. We had 356 distributors by the end of 2021, compared to 204 by the end of 2020.

Cost of Sales

Cost of Sales by Nature

Our cost of sales increased by 59.2% from RMB1,922.3 million in 2020 to RMB3,060.7 million in 2021, primarily due to the increase in the raw material costs. Our raw material costs increased by 54.3% from RMB1,590.1 million in 2020 to RMB2,453.0 million in 2021, mainly driven by the increasing volume of raw materials we purchased to satisfy our business growth needs, which was in line with our revenue growth.

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Cost of Sales by Product Category

Our cost of sales increased by 59.2% from RMB1,922.3 million in 2020 to RMB3,060.7 million in 2021, primarily due to the increase in the cost of sales in relation to rice products. Our cost of sales in relation to rice products increased by 56.7% from RMB1,586.0 million in 2020 to RMB2,484.7 million in 2021. Our cost of sales in relation to whole grain, bean and other products increased by 42.1% from RMB259.8 million in 2020 to RMB369.1 million in 2021. Our cost of sales in relation to dried food and other products increased significantly from RMB76.6 million in 2020 to RMB206.9 million in 2021. Such increases were all primarily due to the increasing sales volume of our products, which was in line with our revenue growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 32.8% from RMB404.7 million in 2020 to RMB537.5 million in 2021, primarily due to the increase in the gross profit from our rice products. Our gross profit from rice products increased by 42.5% from RMB285.5 million in 2020 to RMB406.9 million in 2021. Our gross profit from whole grain, bean and other products remained relatively stable at RMB107.6 million in 2020 and RMB102.8 million in 2021. Our gross profit from dried food and other products increased significantly from RMB11.6 million in 2020 to RMB27.8 million in 2021.

Our gross profit margin decreased from 17.4% in 2020 to 14.9% in 2021. Our gross profit margin in relation to rice products decreased from 15.3% in 2020 to 14.1% in 2021. Our gross profit margin in relation to whole grain, bean and other products decreased from 29.3% in 2020 to 21.8% in 2021. Our gross profit margin in relation to dried food and other products decreased from 13.2% in 2020 to 11.8% in 2021. The decreases in the gross profit margin were primarily because (i) we adopted relatively competitive pricing strategies for our products in 2021 to enhance market penetration, leveraging our upgraded product offerings and improved production capacity; and (ii) the increase in our transportation expenses as a percentage of our revenue, from 5.9% in 2020 to 7.5% in 2021, generally in line with our increasing and enhancing transportation needs due to our increasing sales volume and improving needs for delivery efficiency. Our pricing strategies enabled us to solidify our market position and enhance our penetration in different sales channels with increasingly diversified retail models.

Our gross profit in relation to our online channels increased by 27.1% from RMB319.9 million in 2020 to RMB406.6 million in 2021, primarily due to our increased sales volume on online channels, mainly as a result of (i) our deepen penetration in emerging online channels; and (ii) increasing customer demand for our products, attributed to our enhanced brand recognition and our increasingly diverse product mix. Our gross profit in relation to our offline channels increased by 54.5% from RMB84.8 million in 2020 to RMB131.0 million in 2021, primarily due to our increased sales volume on offline channels, mainly contributed by the increasing number of offline channel partners that we cooperated with. Our gross profit margin

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in relation to online channels decreased from 17.3% in 2020 to 15.0% in 2021, and our gross profit margin in relation to offline channels decreased from 17.8% in 2020 to 14.9% in 2021, primarily because we adopted relatively competitive pricing strategies for our products in 2021 to enhance market penetration.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 77.2% from RMB126.1 million in 2020 to RMB223.4 million in 2021, primarily due to (i) the significant increase in our platform service fees, mainly representing fees charged by e-commerce platforms primarily for our marketing and promotional activities on the platforms, which was in line with our online presence expansion; and (ii) the increase in employee costs, primarily due to the increasing number of sales and marketing staff to satisfy the needs of our enhancing sales and marketing efforts.

Administrative Expenses

Our administrative expenses increased significantly from RMB38.8 million in 2020 to RMB272.5 million in 2021, primarily due to (i) the increase in our share-based payments from nil to RMB187.3 million, as we had transfers of paid-in capital among the equity shareholders related investors of Series B financing in 2021, see Note 26(b) of Appendix I to this document; and (ii) the increase in our labor costs in relation to administrative employees as a result of the increased number of administrative staff to support our daily operation and the increased level of average salaries and bonus to administrative employees.

Other Net Income

Our other net income increased significantly from RMB7.0 million in 2020 to RMB49.3 million in 2021, primarily due to the significant increase in government grants, which increased from RMB7.2 million in 2020 to RMB44.0 million in 2021. Such increase in the government grants was primarily because we have met the standards of the *China Good Grain and Oil* project of local governments in 2021 and received relevant government grants.

Impairment Losses charged on Trade and Other Receivables

Our impairment losses charged on trade and other receivables increased from RMB0.4 million in 2020 to RMB1.4 million in 2021, see “– Financial Risk Disclosure – Credit Risk.”

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Finance Costs

Our finance costs decreased by 50.2% from RMB20.3 million in 2020 to RMB10.1 million in 2021, primarily due to the decrease in the interest expenses on bank and other loans, as a result of a significant decrease in our other loans, see “– Indebtedness – Bank and Other Loans.”

Changes in the Carrying Amount of Financial Instruments Issued to Investors

Our changes in the carrying amount of financial instruments issued to investors increased by 18.0% from RMB207.3 million in 2020 to RMB244.7 million in 2021, primarily due to the changes in the carrying amount of the financial instruments granted to certain investors of our Series A and Series B financing. See “– Indebtedness – Financial Instruments Issued to Investors” and Note 22 of Appendix I to this document.

Income Tax

Our income tax increased by 55.4% from RMB4.9 million in 2020 to RMB7.6 million in 2021, primarily due to the increase in the taxable income, especially the increase in the taxable income from the non-preliminary processing of agricultural products as these products are not subject to income tax exemption, government grants received and the investment income in 2021.

Profit/(loss) for the Year

As a result of the foregoing, we had net profit of RMB14.0 million in 2020 and net loss of RMB172.9 million in 2021.

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DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i> <i>RMB'000</i>
Current assets				
Inventories	647,243	1,049,783	1,372,671	1,215,120
Trade and other receivables	132,571	549,344	565,116	394,265
Cash and cash equivalents	24,121	108,215	120,360	613,120
Financial assets at fair value through profit or loss	20,000	30,000	–	–
Restricted deposits	–	–	–	30,000
Total current assets	823,935	1,737,342	2,058,147	2,252,505
Non-current assets				
Property, plant and equipment	257,592	536,667	862,560	863,239
Right-of-use assets	41,662	76,641	129,552	127,037
Other non-current assets	12,393	33,502	12,293	51,312
Total non-current assets	311,647	646,810	1,004,405	1,041,588
Total assets	1,135,582	2,384,152	3,062,552	3,294,093
Current liabilities				
Bank and other loans	279,064	50,000	394,905	383,409
Trade and other payables	175,120	168,692	303,548	211,540
Contract liabilities	4,153	18,580	31,564	10,263
Lease liabilities	4,720	7,611	8,957	8,107
Income tax payable	2,597	6,814	5,882	4,202
Total current liabilities	465,654	251,697	744,856	617,521
Non-current liabilities				
Financial instruments issued to investors	362,102	1,872,844	2,380,161	2,720,926
Lease liabilities	8,082	8,404	11,049	9,036
Deferred income	17,218	32,619	32,858	38,093
Total non-current liabilities	387,402	1,913,867	2,424,068	2,768,055
Total liabilities	853,056	2,165,564	3,168,924	3,385,576
Net assets/(liabilities)	282,526	218,588	(106,372)	(91,483)

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Inventories

Our inventories were (i) raw materials, primarily including paddy, whole grain and bean, dried food and other raw materials; (ii) finished products, primarily including rice products, whole grain, bean and other products and dried food and other products; (iii) packaging materials, primarily including packaging bags and woven bags; and (iv) work in progress, primarily represented polished rice with aleurone layer removed. Raw materials represented a significant portion of our inventories, accounting for 58.6%, 61.7%, 61.1% and 71.6% of our total inventories, respectively, as of December 31, 2020, 2021, 2022 and March 31, 2023.

The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	379,405	647,193	838,544	869,824
Finished products	240,887	353,712	455,475	287,704
Packaging materials	17,726	30,178	33,225	31,025
Work in progress	9,413	20,321	47,921	29,585
Less: write down of inventories	(188)	(1,621)	(2,494)	(3,018)
Total Inventories	647,243	1,049,783	1,372,671	1,215,120

Our inventories are subject to seasonality, primarily due to the harvest season of our raw materials and sales peak resulted from holidays and shopping events. For example, the harvest season of raw grains that we generally procure, especially Northeast Rice, is from September to year end, and we generally purchase raw grains from September to year end. Therefore, we generally have relatively high volume of inventories, especially raw materials by the end of each year. In addition, we typically experience sales peak in holiday season such as Chinese New Year and sales events such as Double Eleven, which are generally by the year end or the beginning of a year. In preparation of such holiday season and shopping events, we generally have relatively high volume of inventories, especially finished products, by the end of each year. Accordingly, our results of operations fluctuate over the year, and our interim results may not be indicative of our annual results.

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Our inventories increased by 62.2% from RMB647.2 million as of December 31, 2020 to RMB1,049.8 million as of December 31, 2021, and further increased by 30.8% from RMB1,049.8 million as of December 31, 2021 to RMB1,372.7 million as of December 31, 2022, primarily due to (i) the increase in raw materials to satisfy our increasing sales and production needs, taking into account our sales volume growth and our enhanced production capacity; and (ii) the increase in finished products for sale in anticipation of the sales peak before the Chinese New Year, which was also in line with our sales volume growth. Our inventories decreased by 11.5% from RMB1,372.7 million as of December 31, 2022 to RMB1,215.1 million as of March 31, 2023, primarily because we sold a portion of our finished products during the three months ended March 31, 2023.

The table below sets out our inventory turnover days during the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2020	2021	2022	2023
	Inventory turnover days ⁽¹⁾	100	100	116

Note:

- (1) Inventory turnover days for each period equals the average of the beginning and ending balances of inventory for that period divided by cost of sales for that period and multiplied by (i) 360 for 2020, 2021 and 2022; and (ii) 90 for the three months ended March 31, 2023.

Our inventory turnover days remained stable at 100 days in both 2020 and 2021. Our inventory turnover days increased from 100 days in 2021 to 116 days in 2022, primarily because we actively purchased more raw materials as we have enhanced storage capacity with our warehouses in Aohan and Songyuan completed, so as to satisfy our increasing sales and production needs. Our inventory turnover days increased from 116 days in 2022 to 129 days in the three months ended March 31, 2023, primarily because (i) we continued to purchase raw materials in the three months ended March 31, 2023; and (ii) the Chinese New Year in 2023 came early in January, boosting sales more in December 2022 than in the three months ended March 31, 2023, especially taking into account that our grocery retail channel partners and distributors generally increase their stock of our products in advance in anticipation of the Chinese New Year.

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The table below sets out the ageing analysis of our inventories as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>
Within 3 months	596,982	941,936	1,300,030	710,764
4 to 6 months	17,912	74,251	62,130	457,914
7 to 12 months	32,537	35,217	13,005	40,919
1 to 2 years	–	–	–	8,541
	647,431	1,051,404	1,375,165	1,218,138
Less: write down of inventories	(188)	(1,621)	(2,494)	(3,018)
Total	647,243	1,049,783	1,372,671	1,215,120

Our inventories with ageing of one to two years mainly include raw materials and packaging materials. The raw materials were mainly black rice that we procured in early 2022 with relatively low price. Such procurement was in anticipation of the construction progress of our production facilities, which was then delayed, and these black rice were sold in May 2023. The packaging materials were mainly for products with sales volumes less than expected.

In line with the seasonality of our inventories, our closing inventory balance as of December 31, 2022 primarily represented our purchase in the fourth quarter of 2022, accounting for 94.5% of the closing balance of inventories. As of July 31, 2023, 79.6% of our total inventories as of March 31, 2023, or RMB969.1 million, had been utilized or sold.

At the end of each reporting period, inventories are measured at the lower of cost or net realizable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The net realizable value of inventories used directly for sale is determined as the estimated selling price of the inventory in the ordinary course of business less estimated selling expenses and related taxes. The net realizable value of inventories subject to processing is determined as the estimated selling price of the finished goods produced in the ordinary course of business less estimated costs to be incurred to completion, estimated selling expenses and related taxes. At the end of each reporting period, we performed impairment testing on the inventories and, as a result of the impairment testing, the amount of our inventory provision of is as follow:

	As of December 31,			As of
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>
Inventory provision	188	1,621	2,494	3,018

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We are of the view that there is no material recoverability issue for our inventories, taking into account the subsequent utilization, and sufficient inventory provision has been made.

Trade and Other Receivables

We had trade and other receivables of RMB132.6 million, RMB549.3 million, RMB565.1 million and RMB394.3 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively.

Trade and Bills Receivables

We had trade and bills receivables of RMB90.0 million, RMB323.8 million, RMB415.7 million and RMB240.8 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively. We had trade receivables of RMB90.0 million, RMB308.1 million, RMB399.1 million and RMB192.8 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively. We had bill receivables of nil, RMB15.7 million, RMB16.6 million and RMB48.1 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively. Our trade receivables and bills receivables as of December 31, 2020, 2021, 2022 and March 31, 2023 were all from third parties, which were receivables from our customers for purchasing our products. The following table sets out a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from third parties	90,472	309,688	402,344	195,281
Less: loss allowance	(443)	(1,559)	(3,232)	(2,528)
Total trade receivables	90,029	308,129	399,112	192,753
Bills receivables	–	15,698	16,634	48,077
Total trade and bills receivables	90,029	323,827	415,746	240,830

Our trade receivables increased significantly from RMB90.0 million as of December 31, 2020 to RMB308.1 million as of December 31, 2021, primarily due to (i) our increased sales volume, especially sales through grocery retail channels that typically have long payment terms, which was in line with our revenue growth in 2021, especially revenue from grocery retail channels, see “– Description of Major Components of Our Results of Operations – Revenue – Revenue by Sales Channel;” and (ii) certain customer’s changing of settlement mechanism for all companies operated on its platform, allowing us to flexibly request settlement from such platform instead of fixed monthly settlement on an agreed date, and we

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made settlement request in late December 2021 with relevant receivables from the platform paid in January 2022, so that the trade receivables by the end of December 2021 was relatively high. Our trade receivables increased by 29.5% from RMB308.1 million as of December 31, 2021 to RMB399.1 million as of December 31, 2022, primarily due to our increased sales volume, especially sales through grocery retail channels that typically have long payment terms, which was in line with our revenue growth in 2022, especially revenue from grocery retail channels, see “– Description of Major Components of Our Results of Operations – Revenue – Revenue by Sales Channel.” Our trade receivables decreased by 51.7% from RMB399.1 million as of December 31, 2022 to RMB192.8 million as of March 31, 2023, primarily because (i) we had sales peak by the end of 2022 resulted from holidays and shopping events and we had relatively high level of trade receivables by year end, which was in line with the seasonality of our financial performance; and (ii) we collected a large amount of outstanding trade receivables in the three months ended March 31, 2023.

The following table sets out an aging analysis of our trade receivables (net of loss allowance) based on the invoice date as of the dates indicated:

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	84,379	292,177	390,539	161,641
4 to 6 months	4,235	10,617	7,112	29,261
7 to 12 months	1,247	5,285	1,256	1,731
Over one year	168	50	205	120
Total	90,029	308,129	399,112	192,753

The following table sets out the number of our trade receivables turnover days for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2020	2021	2022	2023
	Trade receivables turnover days ⁽¹⁾	13	20	28

Note:

- (1) Trade receivables turnover days for a period equals the average of the opening and closing trade receivables balance divided by revenue for the same period and multiplied by (i) 360 for 2020, 2021 and 2022; and (ii) 90 for the three months ended March 31, 2023.

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During the Track Record Period, the turnover days of trade receivables were within the range of credit period granted to our customers. Our turnover days of our trade receivables increased from 2020 to 2022, primarily due to our increased sales volume, especially sales through grocery retail channels that typically have long payment terms. Our turnover days decreased from 28 days in 2022 to 25 days in the three months ended March 31, 2023, primarily because we collected a large amount of outstanding trade receivables in the three months ended March 31, 2023.

RMB181.9 million, or 94.4% of our trade receivables as of March 31, 2023 had been settled as of July 31, 2023.

Other Receivables

Our other receivables primarily consist of (i) prepayments to suppliers, which were primarily prepayments to raw material suppliers; (ii) value-added tax recoverable, representing the input value-added tax in excess of the output value-added tax, which can be deductible or recoverable in the future; (iii) deposits for bidding and purchase of land use rights, mainly representing advance deposit payments for land acquisition; (iv) deposits and amounts due from the e-commerce platforms; (v) prepayments for costs incurred in connection with the proposed [REDACTED] of the Company’s shares; and (vi) other deposits, which mainly were security funds for migrant workers for the construction of our production bases or warehouses.

	As of December 31,			As of
	2020	2021	2022	March 31,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>2023</i>
				<i>RMB’000</i>
Prepayments to suppliers	17,399	119,327	33,803	37,153
Value-added tax recoverable	8,189	61,559	84,021	77,602
Deposits for bidding and purchase of land use rights	8,244	18,000	3,314	4,024
Deposits and amounts due from the e-commerce platforms	3,556	10,290	7,839	7,321
Prepayments for costs incurred in connection with the proposed [REDACTED] of the Company’s shares	–	–	8,913	18,469
Prepayments for costs incurred in connection with the financing	–	–	3,302	–
Guarantee deposits	–	2,000	–	–
Other deposits	3,996	13,156	8,157	7,803
Other receivables	1,158	1,296	21	1,063
Less: loss allowance	–	(111)	–	–
Total other receivables	42,542	225,517	149,370	153,435

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Our other receivables increased significantly from RMB42.5 million as of December 31, 2020 to RMB225.5 million as of December 31, 2021, primarily due to (i) the significant increase in prepayments to suppliers from RMB17.4 million as of December 31, 2020 to RMB119.3 million as of December 31, 2021, mainly because we had raw material procurement that requires prepayments to certain suppliers by the end of 2021; and (ii) the increase in value-added tax refundable primarily relating to our purchase of raw material. Our other receivables decreased by 33.8% from RMB225.5 million as of December 31, 2021 to RMB149.4 million as of December 31, 2022, primarily due to the decrease in our prepayments to suppliers because our raw material procurement that requires prepayments to such suppliers was settled before the end of 2022. Specifically, our other deposits increased significantly from RMB4.0 million as of December 31, 2020, to RMB13.2 million as of December 31, 2021, primarily due to (i) the increase in security funds for migrant workers for the construction of our production bases or warehouses; and (ii) the increase in other deposit to our certain raw material suppliers by the end of 2021. Our other deposits decreased significantly from RMB13.2 million as of December 31, 2021, to RMB8.2 million as of December 31, 2022, primarily due to (i) the return of deposit related to our certain raw material suppliers by the end of 2022; and (ii) the decrease in the security funds for migrant workers as a result of the completion of some construction projects. Our other receivables remained relatively stable at RMB149.4 million as of December 31, 2022 and RMB153.4 million as of March 31, 2023.

RMB74.1 million, or 48.3% of our other receivables as of March 31, 2023 had been settled as of July 31, 2023.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss represented our wealth management products with variable returns. Our financial assets at fair value through profit or loss increased by 50.0% from RMB20.0 million as of December 31, 2020 to RMB30.0 million as of December 31, 2021, primarily due to our increased investment in wealth management products. Our financial assets at fair value through profit or loss decreased from RMB30.0 million as of December 31, 2021 to nil as of December 31, 2022, primarily because we redeemed our wealth management products. Our financial assets at fair value through profit or loss remained nil as of March 31, 2023.

We may continue to invest in wealth management products after [REDACTED], and we will strictly comply with our internal policies and guidelines and the requirements under Chapter 14 of the Listing Rules, if applicable, to manage such investment.

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Property, Plant and Equipment

Our property, plant and equipment primarily consisted of construction in progress, machinery and other equipment and plant and buildings. The following table sets out a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Construction in progress	176,337	209,388	84,376	78,993
Machinery and other equipment	44,849	176,290	338,930	346,455
Plant and buildings	36,406	150,989	439,254	437,791
Total	257,592	536,667	862,560	863,239

Our property, plant and equipment increased significantly from RMB257.6 million as of December 31, 2020 to RMB536.7 million as of December 31, 2021, due to (i) the increase in production machines to satisfy our production expansion needs due to our increasing sales volume; (ii) the increase in the plant and buildings, which mainly were production bases or warehouses that started operation in 2021; and (iii) the increase in construction in progress, primarily related to production bases. Our property, plant and equipment increased by 60.7% from RMB536.7 million as of December 31, 2021, to RMB862.6 million as of December 31, 2022, primarily due to (i) the increase in the plant and buildings, which mainly were production bases that started operation in 2022; and (ii) the increase in machinery and other equipment, which were mainly production machines to satisfy our production expansion needs, which were partially offset by (iii) the decrease in construction in progress, primarily due to the completion of construction of production bases. Our property, plant and equipment remained relatively stable at RMB862.6 million as of December 31, 2022 and RMB863.2 million as of March 31, 2023.

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Right-of-use Assets

Our right-of-use assets consisted of land use rights and properties. The following table sets out a breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Land use rights	27,108	59,752	108,263	107,641
Properties	14,554	16,889	21,289	19,396
Total	41,662	76,641	129,552	127,037

Our right-of-use assets increased by 84.0% from RMB41.7 million as of December 31, 2020 to RMB76.6 million as of December 31, 2021, and further increased by 69.0% to RMB129.6 million as of December 31, 2022, primarily due to (i) the increase in the land use rights serving our production and warehousing needs and (ii) the increase in properties serving as offices, both of which were in line with our business expansion needs. Our right-of-use assets remained relatively stable at RMB129.6 million as of December 31, 2022 and RMB127.0 million as of March 31, 2023.

Other Non-current Assets

We had other non-current assets of RMB12.4 million, RMB33.5 million, RMB12.3 million and RMB51.3 million as of December 31, 2020, 2021, 2022 and the three months ended March 31, 2023, respectively, which were all prepayments for construction in progress and land use rights. Our other non-current assets increased significantly from RMB12.4 million as of December 31, 2020 to RMB33.5 million as of December 31, 2021, which was in line with the increase in our construction in progress and land use rights. Our other non-current assets decreased by 63.3% from RMB33.5 million as of December 31, 2021 to RMB12.3 million as of December 31, 2022, which was in line with the decrease in our construction in progress. See “– Discussion of Selected Items from the Consolidated Statements of Financial Position – Property, Plant and Equipment” and “– Discussion of Selected Items from the Consolidated Statements of Financial Position – Right-of-use Assets.” Our other non-current assets increased significantly from RMB12.3 million as of December 31, 2022 to RMB51.3 million as of March 31, 2023, primarily due to the increase in our prepayment for the land use rights in relation to construction of our production base and the prepayment for warehouse facilities.

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Trade and Other Payables

We had trade and other payables of RMB175.1 million, RMB168.7 million, RMB303.5 million and RMB211.5 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively.

Trade Payables

Our trade payables were primarily to third parties, mainly raw material suppliers.

The following table sets out a breakdown of our trade payables as of the dates indicated:

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables:				
– Third parties	147,067	119,979	171,626	94,257
– Related parties	1,143	–	–	–
Total trade payables	148,210	119,979	171,626	94,257

Our trade payables decreased by 19.0% from RMB148.2 million as of December 31, 2020, to RMB120.0 million as of December 31, 2021, primarily due to the decrease in our trade payables to third parties, because we procured raw materials more with prepayments in 2021, and we had relatively high prepayments to suppliers at the end of 2021, thus less trade payables in relation to raw materials procurement, see “– Discussion of Selected Items from the Consolidated Statements of Financial Position – Trade and Other Receivables – Other Receivables.” Our trade payables increased by 43.0% from RMB120.0 million as of December 31, 2021 to RMB171.6 million as of December 31, 2022, primarily due to our increased raw material procurement to satisfy our increasing sales volume, which was in line with our revenue growth. Our trade payables decreased by 45.1% from RMB171.6 million as of December 31, 2022 to RMB94.3 million as of March 31, 2023, primarily due to the decrease in trade payables in relation to our packaging materials procurement, which were substantially settled in the three months ended March 31, 2023.

As of December 31, 2020, 2021 and 2022 and March 31, 2023, all of the trade payables were expected to be settled within one year or were repayable on demand.

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The following table sets out our trade payables turnover days for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2020	2021	2022	2023
	Trade payables turnover days ⁽¹⁾	22	16	14

Note:

- (1) Trade payables turnover days for a period equals the average of the opening and closing trade payables balance divided by cost of sales for the same period and multiplied by (i) 360 for 2020, 2021 and 2022; and (ii) 90 for the three months ended March 31, 2023.

Our trade payables turnover days decreased from 22 days in 2020 to 16 days in 2021, primarily because we procured raw materials more with prepayments in 2021 and thus less trade payables. Our trade payables turnover days remained relatively stable, being 16 days in 2021, 14 days in 2022 and 13 days in the three months ended March 31, 2023.

RMB92.7 million, or 98.3% of our trade payables as of March 31, 2023 had been settled as of July 31, 2023.

Other Payables

Our other payables primarily consisted of (i) payables for staff-related costs; and (ii) payables for construction and purchase of property, plant and equipment.

The following table sets out a breakdown of our other payables as of the dates indicated:

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payables for staff-related costs	14,222	25,193	66,193	61,625
Payables for construction and purchase of property, plant and equipment	6,816	16,394	43,603	29,831
Payables for costs incurred in connection with the proposed [REDACTED] of the Company's shares	–	–	12,129	19,977

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	As of December 31,			As of
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
Payables for miscellaneous tax	2,302	1,220	3,138	2,578
Amounts due to related parties	1,500	1,500	–	–
Refund liabilities	585	588	949	488
Others	1,485	3,818	5,910	2,784
Total other payables	26,910	48,713	131,922	117,283

Our other payables increased by 81.0% from RMB26.9 million as of December 31, 2020 to RMB48.7 million as of December 31, 2021, primarily due to (i) the increase in the payables for staff-related costs as a result of an increasing number of staff to suit our business expansion needs; and (ii) the increase in payables for construction and purchase of property, plant and equipment, primarily due to the increase in our production machines and plant and buildings to satisfy our production expansion needs. Our other payables increased significantly from RMB48.7 million as of December 31, 2021 to RMB131.9 million as of December 31, 2022, primarily due to (i) the increase in the payables for staff-related costs, mainly representing bonus payables to staff; (ii) the increase in payables for construction and purchase of property, plant and equipment, primarily due to our increase in production machines and plant and buildings to satisfy our production expansion needs; and (iii) the increase in the payables for costs incurred in connection with the proposed [REDACTED] of the Company’s shares. Our other payables decreased by 11.1% from RMB131.9 million as of December 31, 2022 to RMB117.3 million as of March 31, 2023, primarily due to (i) the decrease in payables for construction and purchase of property, plant and equipment as a result of settlement of relevant payables in accordance with relevant agreements, offset by (ii) the increase in payables for costs incurred in connection with the [REDACTED].

Contract Liabilities

Our contract liabilities were short-term advance payments from customers. All of the contract liabilities are expected to be recognized as revenue within one year. Our contract liabilities increased significantly from RMB4.2 million as of December 31, 2020 to RMB18.6 million as of December 31, 2021, and further increased significantly to RMB31.6 million as of December 31, 2022, primarily due to an increasing customer demand for our products. Our contract liabilities decreased by 67.5% from RMB31.6 million as of December 31, 2022 to RMB10.3 million as of March 31, 2023, primarily because we fulfilled the obligations under certain contracts in the three months ended March 31, 2023.

RMB8.8 million, or 85.7% of our contract liabilities as of March 31, 2023 had been subsequently recognized as revenue as of July 31, 2023.

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Deferred Income

Our deferred income were primarily related to government grants. Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as other net income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized as deferred income in the statement of financial position and are subsequently recognized in profit or loss over the useful life of the asset. See Note 2(t)(iv) of Appendix I to this document.

Our deferred income increased by 89.4% from RMB17.2 million as of December 31, 2020 to RMB32.6 million as of December 31, 2021, primarily due to the increase of government grants, mainly because we have met the standards of the *China Good Grain and Oil* project of local governments. See “– Period-to-period Comparison of Results of Operations – Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020 – Other Net Income.” Our deferred income remained stable at RMB32.6 million as of December 31, 2021 and RMB32.9 million as of December 31, 2022. Our deferred income increased by 15.9% from RMB32.9 million as of December 31, 2022 to RMB38.1 million as of March 31, 2023, primarily due to the increase in government grants received in relation to our production facilities.

KEY FINANCIAL RATIOS

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

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

Notes:

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

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

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LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from equity and debt financing and cash generated from operations.

As of December 31, 2020, 2021, 2022 and March 31, 2023, we had cash and cash equivalents of RMB24.1 million, RMB108.2 million, RMB120.4 million and RMB613.1 million, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of operating cash flow, equity and debt financing and net [REDACTED] received from the [REDACTED].

Cash Flow

The following table sets out our cash flow for the periods indicated:

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

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Net Cash Generated from or Used in Operating Activities

Net cash generated from or used in operating activities primarily comprised our profit before taxation for the period adjusted by: (i) non-cash and non-operating items; and (ii) changes in working capital.

In the three months ended March 31, 2023, our net cash generated from operating activities was RMB307.0 million, which was primarily attributable to our profit before taxation of RMB20.3 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising changes in the carrying amount of financial instruments issued to investors of RMB55.1 million; and (ii) changes in working capital, which primarily comprised decrease in inventories of RMB157.6 million and decrease in trade and other receivables of RMB178.5 million, partially offset by decrease in trade and other payables of RMB78.2 million and increase in restricted deposits of RMB30.0 million.

In 2022, our net cash generated from operating activities was RMB177.2 million, which was primarily attributable to our loss before taxation of RMB558.3 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising share-based payments of RMB739.6 million and changes in the carrying amount of financial instruments issued to investors of RMB178.6 million; and (ii) changes in working capital, which primarily comprised increase in inventories of RMB322.9 million, partially offset by the increase in trade and other payables of RMB107.6 million.

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

In 2020, our net cash generated from operating activities was RMB90.2 million, which was primarily attributable to our profit before taxation of RMB18.9 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising changes in the carrying amount of financial instruments issued to investors of RMB207.3 million; and (ii) changes in working capital, primarily comprising increase in inventories of RMB227.5 million.

Net Cash Used in Investing Activities

In the three months ended March 31, 2023, our net cash used in investing activities was RMB71.2 million, which was primarily attributable to payments for purchase of property, plant and equipment and land use rights of RMB71.7 million.

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In 2022, our net cash used in investing activities was RMB316.3 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB1,560.0 million; (ii) payments for purchase of property, plant and equipment and land-use-rights of RMB354.3 million, partially offset by (iii) redemption of financial assets at fair value through profit or loss of RMB1,590.0 million.

In 2021, our net cash used in investing activities was RMB361.2 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB1,178.0 million; (ii) payments for purchase of property, plant and equipment and land-use-rights of RMB357.4 million, partially offset by (iii) redemption of financial assets at fair value through profit or loss of RMB1,168.0 million.

In 2020, our net cash used in investing activities was RMB197.2 million, which was primarily attributable to payments for purchase of property, plant and equipment and land-use-rights of RMB177.7 million.

Net Cash Generated from Financing Activities

In the three months ended March 31, 2023, our net cash generated from financing activities was RMB256.9 million, which was primarily attributable to proceeds from the capital contributions, net of transaction costs of RMB285.3 million, proceeds from bank and other loans of RMB93.4 million, partially offset by repayment of bank and other loans of RMB104.9 million.

In 2022, our net cash generated from financing activities was RMB151.3 million, which was primarily attributable to proceeds from bank and other loans of RMB417.4 million, partially offset by dividends paid to shareholders of RMB200.0 million.

In 2021, our net cash generated from financing activities was RMB940.4 million, which was primarily attributable to (i) proceeds from the capital contributions, net of transaction costs of RMB1,187.6 million, and (ii) proceeds from bank and other loans of RMB535.6 million, partially offset by (iii) repayment of bank and other loans of RMB764.7 million.

In 2020, our net cash generated from financing activities was RMB118.4 million, which was primarily attributable to (i) proceeds from bank and other loans of RMB1,690.3 million and (ii) proceeds from the capital contributions, net of transaction costs of RMB180.5 million, partially offset by (iii) repayment of bank and other loans of RMB1,608.3 million.

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Net Current Assets

The following table sets out our current assets and liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2020	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Current assets					
Inventories	647,243	1,049,783	1,372,671	1,215,120	761,910
Trade and other receivables	132,571	549,344	565,116	394,265	562,845
Cash and cash equivalents	24,121	108,215	120,360	613,120	455,519
Restricted deposits ⁽¹⁾	–	–	–	30,000	30,000
Financial assets at fair value through profit or loss	20,000	30,000	–	–	–
Total current assets	823,935	1,737,342	2,058,147	2,252,505	1,810,274

Note:

- (1) The restricted deposits represent the bank deposits frozen by court due to a litigation against subsidiaries of our Group. See “Business – Legal Proceedings and Compliance – Legal Proceedings.” As of the Latest Practicable Date, the lawsuit was under review before the court, and our Group’s bank deposits of RMB30.0 million had been frozen by the court for this lawsuit. As advised by the PRC Legal Adviser, the freeze is a procedural matter and will not adversely affect the outcome of the lawsuit.

	As of December 31,			As of March 31,	As of July 31,
	2020	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Current liabilities					
Bank and other loans	279,064	50,000	394,905	383,409	3,409
Trade and other payables	175,120	168,692	303,548	211,540	190,867
Contract liabilities	4,153	18,580	31,564	10,263	10,170
Lease liabilities	4,720	7,611	8,957	8,107	11,995
Income tax payable	2,597	6,814	5,882	4,202	3,522
Total current liabilities	465,654	251,697	744,856	617,521	219,963
Net current assets	358,281	1,485,645	1,313,291	1,634,984	1,590,311

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Our net current assets was relatively stable, being RMB1,635.0 million as of March 31, 2023 and RMB1,590.3 million as of July 31, 2023, primarily due to (i) the decrease in inventories, mainly due to the decrease in raw materials, which was in line with the seasonality of our inventories as we generally purchase raw materials from September to year end due to the harvest season of our raw materials and the raw materials were then gradually consumed; (ii) the increase in trade and other receivables, primarily due to the increasing sales volume especially contributed by shopping events in June; and (iii) the decrease in cash and cash equivalents and the decrease in bank and other loans, as we repaid certain short-term bank and other loans, see “– Indebtedness – Bank and Other Loans.”

Our net current assets increased by 24.5% from RMB1,313.3 million as of December 31, 2022 to RMB1,635.0 million as of March 31, 2023, primarily due to (i) the increase in cash and cash equivalents, see “– Liquidity and Capital Resources – Cash Flow;” and (ii) the decrease in trade and other payables, see “– Discussion of Selected Items from the Consolidated Statements of Financial Position – Trade and Other Payables;” and such increase was partially offset by (iii) the decrease in trade and other receivables, see “– Discussion of Selected Items from the Consolidated Statements of Financial Position – Trade and Other Receivables.”

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

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

INDEBTEDNESS

As of December 31, 2020, 2021, 2022 and March 31, 2023, our indebtedness included financial instruments issued to investors, bank and other loans and lease liabilities. As of July 31, 2023, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB2,829.1 million. As of July 31, 2023, we had unutilized banking facilities of RMB296.6 million.

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The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2020	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Financial instruments issued to investors	362,102	1,872,844	2,380,161	2,720,926	2,800,220
Bank and other loans	279,064	50,000	394,905	383,409	3,409
Lease liabilities	12,802	16,015	20,006	17,143	25,511
Total	<u>653,968</u>	<u>1,938,859</u>	<u>2,795,072</u>	<u>3,121,478</u>	<u>2,829,140</u>

Except our indebtedness as of July 31, 2023 as disclosed above under “– Indebtedness”, as of December 31, 2020, 2021, 2022 and March 31, 2023 and as of July 31, 2023, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), or acceptance credits, which were either guaranteed or unguaranteed, secured or unsecured.

Financial Instruments Issued to Investors

Our financial instruments issued to investors were primarily related to redemption rights granted to certain investors of our Series A, Series B and Series C financing. The redemption rights of the investors constitute our redemption liability to repurchase our own equity instruments. The redemption liability is initially measured at the present value of the redemption amount and subsequently measured at amortized cost with interest expense being included in change in the carrying amount of financial instruments issued to investors. See Note 2(q) and Note 22 of Appendix I to this document.

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The following table sets out the breakdown of financial instruments issued to investors as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2020	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Redemption liabilities	317,461	1,872,844	2,380,161	2,720,926	2,800,220
Series A-1 investor’s right to subscribe for additional registered capital	44,641	–	–	–	–
Total	<u>362,102</u>	<u>1,872,844</u>	<u>2,380,161</u>	<u>2,720,926</u>	<u>2,800,220</u>

Our financial instruments issued to investors increased significantly from RMB362.1 million as of December 31, 2020 to RMB1,872.8 million as of December 31, 2021, primarily due to the increase in the redemption liabilities relating to the redemption rights granted to certain investors of our Series A and Series B financing. Our financial instruments issued to investors increased by 27.1% from RMB1,872.8 million as of December 31, 2021 to RMB2,380.2 million as of December 31, 2022, primarily due to the redemption rights granted to certain investor of our Series C financing in 2022. Our financial instruments issued to investors increased by 14.3% from RMB2,380.2 million as of December 31, 2022 to RMB2,720.9 million as of March 31, 2023, primarily due to redemption rights granted to certain investor of our Series C financing. Our financial instruments issued to investors remained relatively stable, being RMB2,720.9 million as of March 31, 2023 and RMB2,800.2 million as of July 31, 2023.

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Bank and Other Loans

Our bank and other loans were guaranteed by related parties and third parties and/or secured by our property, plant and equipment, land use rights and trade receivables. The following table sets out a breakdown of bank and other loans as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2020	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
Bank loans					
Guaranteed by related parties	–	20,000	224,769	–	–
Guaranteed by related parties and a third party	30,000	30,000	–	–	–
Guaranteed by a third party	10,000	–	–	–	–
Guaranteed by related parties and secured by property, plant and equipment and land use rights of the Group	10,000	–	120,136	–	–
Secured by property, plant and equipment and land use rights of the Group	–	–	–	200,000	–
Unsecured ⁽¹⁾	–	–	–	183,409	3,409
Total bank loans	50,000	50,000	344,905	383,409	3,409
Other loans					
Secured by trade receivables of the Group	229,064	–	50,000	–	–
Total	279,064	50,000	394,905	383,409	3,409

Note:

(1) As of December 2022, certain bank loans were guaranteed by the subsidiaries within our Group.

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Our bank and other loans decreased significantly from RMB279.1 million as of December 31, 2020 to RMB50.0 million as of December 31, 2021, primarily due to the decrease in other loans secured by our trade receivables, as a result of our enhanced cash liquidity due to the completion of our Series B financing. Our bank and other loans increased significantly from RMB50.0 million as of December 31, 2021 to RMB394.9 million as of December 31, 2022, primarily due to the increase in bank loans guaranteed by related parties and bank loans guaranteed by related parties and secured by our property, plant and equipment and land use rights, which were primarily short-term loans, mainly to satisfy our needs of raw materials procurement. Our bank and other loans remained relatively stable at RMB394.9 million as of December 31, 2022 and RMB383.4 million as of March 31, 2023. Our bank and other loans decreased significantly from RMB383.4 million as of March 31, 2023 to RMB3.4 million as of July 31, 2023, primarily due to the decrease in bank loans secured by our property, plant and equipment and land use rights as well as unsecured bank loans, as we repaid such short-term loans.

The effective interest rates of our bank and other loans generally ranged from approximately 3.4% to 7.3% per annum during the Track Record Period. Our bank loans guaranteed by related parties were guaranteed by Mr. Wang, Mr. Shu Minghe and his wife, Ms. Zhao Shulan, Mr. Zhao Wenchen and his wife, Ms. Zhao Shujuan and Ms. Zhao, and the guarantee period was generally within one year. All guarantees provided by the related parties for our Group’s bank loans had been released as of March 31, 2023. See Note 21 of Appendix I to this document.

Our borrowings contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we had neither material defaults in payment of trade and non-trade payables and loans and borrowings, nor any breach of financial covenants during the Track Record Period and up to the Latest Practicable Date which would impact our ability to undertake additional debt financing.

Lease Liabilities

The following table sets out our lease liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2020	2021	2022	March 31,	July 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
Non-current lease liabilities	8,082	8,404	11,049	9,036	13,516
Current lease liabilities	4,720	7,611	8,957	8,107	11,995
Total	12,802	16,015	20,006	17,143	25,511

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Our lease liabilities increased by 25.1% from RMB12.8 million as of December 31, 2020 to RMB16.0 million as of December 31, 2021, primarily due to the increased number of leased properties to satisfy our business expansion needs. Our lease liabilities increased by 24.9% from RMB16.0 million as of December 31, 2021 to RMB20.0 million as of December 31, 2022, primarily due to the increased number of leased properties to satisfy our business expansion needs. Our lease liabilities decreased by 14.3% from RMB20.0 million as of December 31, 2022 to RMB17.1 million as of March 31, 2023, primarily because we paid our rent in the three months ended March 31, 2023. Our lease liabilities increased by 48.8% from RMB17.1 million as of March 31, 2023 to RMB25.5 million as of July 31, 2023, primarily due to the increased number of leased properties to satisfy our production needs.

CONTINGENT LIABILITIES

As of December 31, 2020, 2021, 2022 and March 31, 2023, we did not have any material contingent liabilities. See Note 31 of Appendix I to this document.

CAPITAL COMMITMENTS

The following table sets out the details of our capital commitments as of the dates indicated:

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for	147,607	182,114	115,186	95,042

CAPITAL EXPENDITURES

Our payments for capital expenditures in 2020, 2021, 2022 and the three months ended March 31, 2023 were RMB177.7 million, RMB357.4 million, RMB354.3 million and RMB71.7 million, respectively, which were all payments for purchase of property, plant and equipment and land-use-rights. We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from operations. We intend to fund our future capital expenditures and long-term investments with a combination of operating cashflow, equity and debt financing and net [REDACTED] received from the [REDACTED]. See “Future Plans and Use of [REDACTED].” We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

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MATERIAL RELATED PARTY TRANSACTIONS

We purchased paddy from entities controlled by our equity shareholders of RMB30.0 million, RMB102.5 million and RMB6.5 million in 2020, 2021 and 2022, respectively. The purchase amount increased from RMB30.0 million in 2020 to RMB102.5 million in 2021, primarily due to the increase in our purchase of paddy from the farmers cooperatives which specifically offered Wuchang rice to meet the needs of our business expansion. We purchased paddy from these farmers cooperatives instead of purchasing from individual farmers directly mainly to improve procurement efficiency. These farmers cooperatives worked as facilitators for the procurement of paddy from the individual farmers. These farmers cooperatives had all been dissolved in 2022. The purchase amount decreased from RMB102.5 million in 2021 to RMB6.5 million in 2022, primarily due to the close of business of certain farmers cooperatives controlled by our related parties. Our purchases from related parties during the Track Record Period were negotiated on normal commercial terms, including pricing and credit terms, which were comparable to our purchases from independent suppliers.

For details about our related party transactions during the Track Record Period, see Note 30 of Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We have adopted risk management program focused on minimizing potential adverse effects of the unpredictability of financial markets as we are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk, currency risk and fair value measurement risk. See Note 28 of Appendix I to this document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our Group’s credit risk is primarily attributable to trade receivables. Our Group’s exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with high credit standing, for which our Group is considered to have low credit risk.

Our Group does not provide any guarantees which would expose our Group to credit risk.

Our Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, our Group does not obtain collateral from customers.

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Our Group has no significant concentration of credit risk in industries in which the customers operate. Significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers. As of December 31, 2020, 2021, and 2022 and March 31, 2023, 46%, 36% and 27% and 18% of the total trade receivables, respectively, were due from our Group’s largest debtor, and 72%, 84%, 74% and 60% of the total trade receivables, respectively, were due from our Group’s five largest debtors. Our Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As our Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our Group’s different customer bases.

The following table sets out information about our Group’s exposure to credit risk and ECLs for trade receivables as of December 31, 2020, 2021, and 2022 and March 31, 2023:

	As of December 31, 2020		
	Expected loss rate	Gross carrying amount	Loss allowance
	<i>%</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current (not past due)	0.1	37,866	24
Within 3 months past due	0.2	46,720	116
4 to 6 months past due	2.0	4,623	91
7 to 12 months past due	10.1	995	100
1 to 2 years past due	41.8	268	112
		90,472	443
	As of December 31, 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
	<i>%</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current (not past due)	0.1	180,423	49
Within 3 months past due	0.1	112,051	154
4 to 6 months past due	2.5	10,834	274
7 to 12 months past due	16.4	6,277	1,029
1 to 2 years past due	46.2	93	43
Over 2 years past due	100.0	10	10
		309,688	1,559

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As of December 31, 2022

	Expected loss rate	Gross carrying amount	Loss allowance
	<i>%</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current (not past due)	0.1	186,777	119
Within 3 months past due	0.5	205,116	925
4 to 6 months past due	18.0	8,712	1,565
7 to 12 months past due	35.7	1,521	543
1 to 2 years past due	36.7	218	80
		402,344	3,232

As of March 31, 2023

	Expected loss rate	Gross carrying amount	Loss allowance
	<i>%</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current (not past due)	0.1	55,912	32
Within 3 months past due	0.2	118,133	205
4 to 6 months past due	8.6	18,738	1,618
7 to 12 months past due	24.6	2,260	555
1 to 2 years past due	47.4	228	108
over 2 years past due	100.0	10	10
		195,281	2,528

Expected loss rates are based on actual loss experience over the past recent years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and our Group’s view of economic conditions over the expected lives of the receivables.

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Movements in the loss allowance account in respect of trade receivables during the Track Record Period are as follows:

	Year ended December 31,			Three months ended 31 March
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1	92	443	1,559	3,232
Impairment losses charged/(reversed) during the year/period	368	1,245	9,698	(704)
Write-off of impairment losses	(17)	(129)	(8,025)	–
Balance as of December 31/March 31	443	1,559	3,232	2,528

Liquidity Risk

The treasury function is centrally managed by our Group, which includes the short-term investment of cash surpluses and the raising of funds to cover expected cash demands. Our Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and investors to meet its liquidity requirements in the short and longer term. For the remaining contractual maturities of our financial liabilities as of December 31, 2020, 2021, 2022 and March 31, 2023, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each period) and the earliest date our Group can be required to pay, see Note 28(b) of Appendix I to this document.

In addition to the above, our Group was also exposed to liquidity risk arising from financial instruments issued to investors as of December 31, 2020, 2021, 2022 and March 31, 2023.

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Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group’s interest rate risk arises primarily from interest-bearing borrowings issued at variable rates and at fixed rates, which expose our Group to cash flow interest rate risk and fair value interest rate risk, respectively.

As of December 31, 2020, 2021, 2022 and March 31, 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased our Group’s profit after tax and retained profits by approximately RMB50.0 thousand, nil, RMB1,201.0 thousand and RMB2,000.0 thousand, respectively.

Currency Risk

Our Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of our Company and its subsidiaries are not significant.

Fair Value Measurement

We measure fair value of financial instruments using the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as discussed in “– Material Accounting Policy Information and Estimates – Investments in Debt and Equity Securities – Fair Value Measurement.”

DIVIDENDS

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

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

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

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us including our cash and cash equivalents on hand, the available banking facilities and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of March 31, 2023, we had no distributable reserves on the Group level.

[REDACTED] EXPENSES

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

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

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

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- (4) The unaudited [REDACTED] adjusted net tangible assets per Share is arrived at after the above adjustments and on the basis that [REDACTED] Shares were in issue immediately following the completion of the [REDACTED] and the Share Split upon [REDACTED] on a one-for-ten basis and does not take into account any H Shares which may be issued upon the exercise of the [REDACTED].
- (5) The unaudited [REDACTED] adjusted net tangible assets per Share amounts in Renminbi are converted to Hong Kong dollar with the PBOC rate of RMB0.9186 to HK\$1.0000 prevailing on September 13, 2023. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at that rate or at any other rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to March 31, 2023.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since March 31, 2023, being the end date of the periods reported in Appendix I to this document, and there is no event since March 31, 2023 that would materially affect the information as set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.