
FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business – Our Strategies” for a detailed discussion of our future plans.

USE OF [REDACTED]

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

Assuming that the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]), we intend to use the net [REDACTED] from the [REDACTED] for the following purposes:

- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to enhance our cooperation with suppliers and strengthen our procurement capability. In particular:
 - (i) approximately [REDACTED]%, or HK\$[REDACTED], will be used to (a) strengthen seamless cooperation with our existing and new suppliers, mainly located in our five core production areas, namely Shenyang Xinmin, Wuchang, Songyuan, Tonghe and Aohan, primarily through payment of deposit to secure consistent and quality supply of raw materials for us, as well as (b) investment and support in facilities, systems and technologies that would further improve the efficiency of our integrated supply chain, such as the harvest and transportation of raw materials. In the next three years, we plan to collaborate with approximately 5 additional raw material producers and farmers cooperatives of paddy and rice for our rice products and approximately 15 additional raw material producers and farmers cooperatives of whole grain, bean and other raw materials for our whole grain, bean, and dried food products and other potential new product categories. We plan to establish a framework cooperation agreement with our suppliers. As part of such agreement, we plan to pay deposit of generally no more than RMB5 million per supplier to selected suppliers who provide high quality raw materials to secure fixed amount of supply annually. We may also negotiate with larger suppliers and pay higher deposit if required for securing supplies of high-quality raw materials on a case-by-case basis. Such deposit can be utilized to offset our purchase payments and should be replenished once depleted. We have adopted such approach to secure stable supply during the Track Record Period, which is in line with industry practice according to Frost & Sullivan. We plan to keep such practice to continuously secure a stable supply of high quality raw materials as our business continues to grow; See “Business – Raw Materials, Packaging Materials and Major Suppliers – Our Raw Materials”;

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- (ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used for contract farming for (i) procurement amount of approximately 29,000 tons of paddy in terms of production volume and (ii) farming area of approximately 740 farming hectare with expected yield of approximately 4,900 tons of paddy in terms of agricultural land area. See “Business – Raw Materials, Packaging Materials and Major Suppliers – Our Raw Materials.” Specifically, we plan to lease agricultural lands across five regions, namely, Shenyang, Wuchang, Tonghe, Aohan and Songyuan, with suitable features and conditions for grains and further sub-lease such lands to, provide required equipment, workforce or other materials for, offer relevant know-hows and guidances, such as quality control and quality inspection measures, to, local farmers to carry out agricultural production. We will also implement supplier management system with local farmers to provide technical support and facilitate communication. In return, we will undertake to procure the grains at specified quality and price in pursuant to relevant contracts. Our planned contract farming focuses primarily in Wuchang given it is one of the most superior production areas for rice products with national A-class air quality and fertile black soil. We believe such approach will help us to establish strong presence in renowned places of origin for grains with favorable geographical features and climatic conditions. Meanwhile, we believe we will be able to secure high quality grains under this approach as we intend to provide required production materials and guidance for such local farmers we work with; and
- (iii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to further enhance our internal procurement capabilities. In particular, (a) approximately [REDACTED]%, or HK\$[REDACTED] will be used to expand our procurement workforce to secure consistent and quality supply of grains from renowned places of origin for grains. To this end, we plan to hire both experienced employees with profound knowledge and experience for establishing standards for procurement, quality control and quality inspection as well as local staff to leverage their know-hows of the local market. In the next three years, we plan to hire approximately 15, 6 and 5 employees for procurement, quality inspection and quality control, respectively; and (b) approximately [REDACTED]%, or HK\$[REDACTED] will be used to further build and digitalize our supplier relationship management system and quality control system.

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- Approximately [REDACTED]%, or HK\$[REDACTED], will be used for expanding our production capacity, upgrading existing production lines, broadening the geographic coverage of our warehousing and logistics, and providing funds for production activities related to our business expansion. See “Business – Our Production – Our Production Expansion Plan”. In particular:
 - (i) approximately [REDACTED]%, or HK\$[REDACTED], will be used for expanding our production capacity, including construction of new factories, establishment of new production and processing lines, and purchase of equipment, to better meet growing market demand for our products;
 - (ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used for upgrading existing production lines through adoption of more advanced equipment and improved techniques to enhance production efficiency;
 - (iii) approximately [REDACTED]%, or HK\$[REDACTED], will be used for broadening the geographic coverage of our warehousing and logistics, including expansion of warehouse facilities, purchase of warehouse equipment, establishment of logistics bases and introduction of advanced logistics equipment and systems, to optimize our inventory management, improve warehousing capabilities and enhance logistical efficiency; and
 - (iv) approximately [REDACTED]%, or HK\$[REDACTED], will be used to fund for production activities related to our business expansion such as factory renovation and procurement of related facilities associated with capacity expansion to further support capacity expansion and improve overall operational efficiency.

The overall size of the pantry staple food market in the PRC has been steadily expanding, and is expected to reach RMB2,195.7 billion by 2027, with a CAGR of 3.3% from 2022 to 2027, according to Frost & Sullivan. In particular, according to the same source, in terms of revenue, the market size of China’s pre-packaged retail market for Northeast Rice products is expected to reach RMB58.0 billion in 2027, representing a CAGR of 9.9% from 2022 to 2027. As a leading pantry staple food company, we plan to seize the market potentials by expanding our production capacity with expected completion time ranging from 2024 to 2026 in parallel to such market demand growth, taking into consideration the future business development strategy and market demand estimation.

Despite a production capacity utilization rate of 66.3%, 59.3%, 51.4%, 38.3% and 43.6% during the Track Record Period with a decreasing trend in 2020 to 2022 primarily as the result of our expansion of designed production capacity and the temporary impact of the COVID-19 Outbreak, we still face inadequate production capacity during peak seasons, primarily due to production fluctuations caused by the seasonal harvest of raw materials and sales peak seasons such as Chinese New Year. We plan to continuously expand our internal production capacities to meet the

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market demand growth. Expanding production capacity would enable us to effectively manage seasonal fluctuations in production demand. Furthermore, with the phase-out of the COVID-19 Outbreak, our production capacity utilization rate is expected to steadily increase over the next few years.

While we can cooperate with OEMs and have cooperated with OEMs in the Track Record Period to address short-term demand surges and certain of our customers’ demands for products manufactured with paddies from designated regions, we believe expanding in-house production capabilities is crucial in the long run to maintain quality control over production processes and supply chain, as well as to better meet growing customer demand.

In addition, the decreasing trend of our production utilization rate from 2020 to 2022 was primarily attributable to the decrease in our production utilization rate for rice products during the same period. Our production expansion plan as well as allocation of the expected net [REDACTED] from the [REDACTED] also include expansion of production capacities for whole grain, bean and other products.

In consideration of the above, we believe expansion of production capacity is necessary for our development. The expected investment for production capacity expansion amounted to RMB1,042.8 million with the shortfall amount being funded through our own working capital on a pro rata basis. See “Business – Our Production – Our Production Expansion Plan”.

We plan to invest in new production facilities, purchase production equipment, increase warehousing facilities and fund associated expenses at our existing and planned production bases. Specifically, we plan to further increase processing lines for rice, whole grain, bean and other products, and continue to introduce advanced production equipment and techniques to enhance the automation level of production lines so that we can further improve our production capacity and production efficiency, thereby ensuring the supply of our premium products and reducing production costs. We believe such expansion can effectively support us to continuously enhance our industrial integration and further amplify our supply chain advantages, enabling us to continuously provide premium pantry staple food products. The following table sets forth the specific uses we plan to invest in at our five production bases:

<u>Location</u>	<u>Specific use</u>
Shenyang Xinmin production base	rice production and processing equipment, storage facilities including warehouses and temperature-controlled systems, whole grain production plants, whole grain processing equipment, cool store, one-stop distribution center, other building support facilities, etc.

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<u>Location</u>	<u>Specific use</u>
Wuchang production base	production and processing equipment for rice and glutinous rice, drying facilities, warehouses and related storage facilities, whole grain production plants, whole grain processing equipment, cool store, other building support facilities, etc.
Songyuan production base	rice production and processing equipment, whole grain production plants, whole grain processing equipment, warehouses and related storage facilities, other building support facilities, etc.
Tonghe production base	rice production and processing equipment, whole grain production plants, whole grain processing equipment, warehouses and related storage facilities, other building support facilities, etc.
Aohan production base	production and processing equipment for millet, whole grain and bean products, whole grain production plants, warehouses and related storage facilities, other building support facilities, etc.

- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand our channel coverage and establish our sales ecosystem. We plan to deepen our cooperation with large offline retailers such as national and regional supermarkets, amplify our presence over the e-commerce platforms with leading positions, explore opportunities in emerging e-commerce platforms and broaden our distribution network on China, thereby improving the visibility and accessibility of our products to existing and potential customers across the country. In particular:
 - (i) approximately [REDACTED]%, or HK\$[REDACTED], will be used to continuously enhance our cooperation with grocery retail channel partners such as national and regional supermarkets and increase consumer interaction through offline activities, such as product display, product tasting, and sales promotion, to enhance consumer education and improve brand loyalty; and
 - (ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to invest in channels other than grocery retail channel partners, including leveraging the advantages of the consumer reach, and brand awareness of e-commerce platforms to enhance our service capabilities in such channels, and to explore new e-commerce platforms to expand our market coverage, operate efficiently, harness more profitability potentials and explore new cooperation opportunities in emerging channels such as social e-commerce platforms and community group buying platforms. In addition, we also plan to expand our distribution network to enhance market presence and deepen market penetration.

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- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to enhance our brand equity. A quality and diversified product offerings are the key to our high brand recognition. As we increase our efforts on the development of products, consumers need time to get used to new products, in particular products under new categories. Thus, we plan to increase our brand marketing efforts on our existing products and potential products to be launched in the future. In particular:
 - (i) approximately [REDACTED]%, or HK\$[REDACTED], will be used for advertising, including content productions, live streaming and promotion on social media platforms, celebrity endorsements, engagement with KOLs and other online and offline integrated promotion activities, to enhance our brand awareness and improve brand impact; and
 - (ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to enhance our sales and marketing capabilities and further optimize the efficiency of our sales and marketing promotion.
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to construct our digital middle platform system, which integrates the full digital chain including IT infrastructure, backend, middleware, frontend and touchpoints, to optimize the support for our business management. In particular, the digital middle platform will (i) enhance our consumer insights across different channels and markets, enabling us to respond quickly to market changes, (ii) improve the efficiency of real-time monitoring of our distribution network and retail points of sales to enhance marketing effectiveness, and (iii) improve our warehousing and logistics management to increase delivery efficiency and reduce related expenses. We believe such digital middle platform will be able to improve the accuracy of our forecasts on production volume, sales volume and operation costs, and achieve comprehensive network synergies to strengthen our core competitive edge.
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and general corporate purposes.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] or the [REDACTED] is not exercised.

If the [REDACTED] is determined at HK\$[REDACTED] per [REDACTED], being the high end of the [REDACTED] stated in this document, after deducting the [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], we will receive net [REDACTED] of approximately HK\$[REDACTED], assuming that the [REDACTED] is not exercised.

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If the [REDACTED] is determined at HK\$[REDACTED] per [REDACTED], being the low end of the [REDACTED] stated in this document, after deducting the [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], we will receive net [REDACTED] of approximately HK\$[REDACTED], assuming that the [REDACTED] is not exercised.

We will issue an appropriate announcement if there is any material change to the above proposed use of [REDACTED].

If the [REDACTED] is exercised in full, we will receive additional net [REDACTED] from approximately HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the low end of the proposed [REDACTED]) to HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the high end of the proposed [REDACTED]), after deducting the [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED].

To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we will only deposit those net [REDACTED] into interest-bearing short-term accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance, the Law of the People’s Republic of China on Commercial Banks (《中華人民共和國商業銀行法》) and other applicable laws in China). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

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IMPLEMENTATION PLAN

Purposes	Implementation targets and estimated investments for the year ended December 31,		
	2023	2024	2025

Overall goals to be met:

- Enhance our cooperation with suppliers and strengthen our procurement capability**
1. make arrangements in advance in renowned places of origin for grains with favorable geographical features and climatic conditions
 2. increase the procurement volume of raw materials to support our production capacity expansion
 3. reserve substantial capital to procure the necessary raw material during the harvest season

Collaborate with more suppliers for procurement of raw materials

Estimated investment per year	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]
Total estimated investment	Approximately HK\$[REDACTED]		
Amount of the net [REDACTED] to be used	Approximately [REDACTED]%, or HK\$[REDACTED], will be used to enhance our cooperation with suppliers and strengthen our procurement capability.		

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Purpose	Overall goals to be met:	Implementation targets and estimated investments for the year ended December 31,		
		2023	2024	2025
<p>Expanding our production capacity, upgrading existing production lines, broadening the geographic coverage of our warehousing and logistics, and providing funds for production activities related to our business expansion.</p>	<ol style="list-style-type: none"> invest in new production facilities, purchase production equipment, increase warehousing facilities and fund associated expenses at our existing and planned production bases further increase processing lines for rice, whole grain, bean and other products, and continue to introduce advanced production equipment and techniques to enhance the automation level of production lines to further improve our production capacity and production efficiency, thereby ensuring the supply of our premium products and reducing production costs 	<p>Increase processing lines for rice, whole grain, bean and other products, purchase production equipment and increase warehousing facilities</p>	<p>Approximately HK\$[REDACTED]</p> <p>Approximately HK\$[REDACTED]</p> <p>Approximately HK\$[REDACTED]</p>	<p>Approximately HK\$[REDACTED]</p> <p>Approximately HK\$[REDACTED]</p> <p>Approximately [REDACTED]%, or HK\$[REDACTED], will be used for expanding our production capacity, upgrading existing production lines, broadening the geographic coverage of our warehousing and logistics, and providing funds for production activities related to our business expansion.</p>
		Estimated investment per year	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]
		Total estimated investment	Approximately HK\$[REDACTED]	
		Amount of the net [REDACTED] to be used	Approximately [REDACTED]%, or HK\$[REDACTED]	will be used for expanding our production capacity, upgrading existing production lines, broadening the geographic coverage of our warehousing and logistics, and providing funds for production activities related to our business expansion.

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Purpose	Overall goals to be met:	Implementation targets and estimated investments for the year ended December 31,		
		2023	2024	2025
Expand our channel coverage and establish our multichannel sales ecosystem	<p>1. enhance our cooperation with grocery retail channel partners such as national and regional supermarkets and increase consumer interaction through offline activities, such as product display, product tasting, and sales promotion, to enhance consumer education and improve brand loyalty</p> <p>2. invest in channels other than grocery retail channel partners, including but not limited to: e-commerce platforms, community group buying platforms, and our distribution network, etc. to enhance market presence and deepen market penetration</p>	Establish cooperation with more channel partners		
		Estimated investment per year	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]
		Total estimated investment	Approximately HK\$[REDACTED]	
		Amount of the net [REDACTED] to be used	Approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand our channel coverage and establish our multichannel sales ecosystem	

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Purpose	Overall goals to be met:	Implementation targets and estimated investments for the year ended December 31,		
		2023	2024	2025
Enhance our brand equity	<ol style="list-style-type: none"> advertising, including content productions, live streaming and promotion on social media platforms, celebrity endorsements, engagement with KOLs and other online and offline integrated promotion activities, to enhance our brand awareness and improve brand impact enhance our sales and marketing capabilities and further optimize the efficiency of our sales and marketing promotion. 	<p>Conduct a variety of online and offline advertising and promotion activities</p>	<p>Approximately HK\$[REDACTED]</p> <p>Approximately HK\$[REDACTED]</p> <p>Approximately HK\$[REDACTED]</p>	<p>Approximately HK\$[REDACTED]</p> <p>Approximately HK\$[REDACTED]</p> <p>Approximately HK\$[REDACTED]</p>
		Estimated investment per year	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]
		Total estimated investment	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]
		Amount of the net [REDACTED] to be used	Approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand our channel coverage and establish our multichannel sales ecosystem	

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Purpose	Overall goals to be met:	Implementation targets and estimated investments for the year ended December 31,			
		2023	2024	2025	
Construct our digital middle platform system, which integrates the full digital chain including IT infrastructure, backend, middleware, frontend and touchpoints, to optimize the support for our business management	<ol style="list-style-type: none"> enhance our consumer insights across different channels and markets, enabling us to respond quickly to market changes. improve the efficiency of real-time monitoring of our distribution network and retail points of sales to enhance marketing effectiveness. improve our warehousing and logistics management to increase delivery efficiency and reduce related expenses. 	Construct digital middle platform system			
		Estimated investment per year	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]
		Total estimated investment	Approximately HK\$[REDACTED]		
Amount of the net [REDACTED] to be used		Approximately [REDACTED]%, or HK\$[REDACTED], will be used to construct our digital middle platform system, which integrates the full digital chain including IT infrastructure, backend, middleware, frontend and touchpoints, to optimize the support for our business management.			