Application Proof of

Shiyue Daotian Group Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

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SHI YUEDAOTIAN

Shiyue Daotian Group Co., Ltd.
十月稻田集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
[REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB[0.10] per H Share**
Stock code	**:**	**[REDACTED]**

***Joint Sponsors,* [REDACTED], [REDACTED], [REDACTED] *and* [REDACTED]**

Morgan Stanley   CICC 中金公司   中信建投國際 CHINA SECURITIES INTERNATIONAL

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We are incorporated, and all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors," "Appendix IV – Summary of Principal Legal and Regulatory Provision" and "Appendix V – Summary of Articles of Association" to this document.

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IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

CONTENTS

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CONTENTS

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

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

OVERVIEW

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

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

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

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

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

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

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

OUR STRENGTHS

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

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

OUR STRATEGIES

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

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

- Expand multi-category product offerings to achieve sustainable growth

- Strengthen our "from farm to table" supply chain management capabilities to build integrated operation barriers

- Keep optimizing digitalized operation system, investing in talent pool and fostering cohesive corporate culture

OUR BRANDS AND PRODUCTS

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

- **Shiyue Daotian (十月稻田)** — Launched in 2011, Shiyue Daotian is positioned as a multi-category pantry staple food brand with a focus on meeting needs of consumers in the mass market.

- **Firewood Courtyard (柴火大院)** — Launched in 2011, Firewood Courtyard is positioned to capture the mid-to-high-end market.

- **Sunshine Family (福享人家)** — Launched in 2018, Sunshine Family is dedicated to offering value-for-money rice products to Chinese families.

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

We primarily offer three categories of products:

- ***Rice products.*** Our rice products mainly include pre-packaged rice products of different varieties, such as Daoxiang rice (稻香米), long grain rice (長粒香大米) and Komachi rice (小町米).

- ***Whole grain, bean and other products***. Our whole grain and bean products mainly include pre-packaged mixed brown rice, millet, red bean and sesame. Other products under this category primarily refer to seed and corn products.

- ***Dried food and other products***. Our dried food products mainly include pre-packaged wood ear mushrooms, snow fungus mushroom and lotus seeds. Other products under this category mainly include by-products, such as bran, husk and fractioned rice.

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

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

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

OUR OMNICHANNEL SALES NETWORK

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

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

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

Note:

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

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

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

OUR PRODUCTION

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

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

RAW MATERIALS, PACKAGING MATERIALS AND MAJOR SUPPLIERS

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

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

CUSTOMERS

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

FOOD SAFETY AND QUALITY CONTROL

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

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

COMPETITIVE LANDSCAPE

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

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

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

Key Items of Consolidated Statements of Profit or Loss

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

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

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

Non-IFRS Measures

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

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

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

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

Notes:

(1) Share-based payments, representing (i) share awards of RMB691.0 million in 2022, which represented paid-in capital granted to Mr. Wang and Ms. Zhao, see Note 26(a) of Appendix I to this document; and (ii) transfers of paid-in capital among the equity shareholders of RMB187.3 million in 2021 and RMB48.6 million in 2022, which were related to investors of Series B financing in 2021 and Series C financing in 2022, see Note 22(a) and Note 26(b) of Appendix I to this document. See "Financial Information – Description of Major Components of Our Results of Operations – Administrative Expenses."

(2) Changes in the carrying amount of financial instruments issued to investors were primarily related to financial instruments granted to certain investors of our Series A, Series B and Series C financing. See "Financial Information – Indebtedness – Financial Instruments Issued to Investors."

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

Selected Items from the Consolidated Statements of Financial Position

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

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

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

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

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

Summary of the Consolidated Statements of Cash Flows

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

See "Financial Information – Liquidity and Capital Resources."

Key Financial Ratios

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

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

Notes:

(1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

(2) Net profit/(loss) margin equals net profit/(loss) for the year divided by revenue and multiplied by 100%.

(3) Adjusted net profit margin equals adjusted net profit for the year as a non-IFRS measure divided by total revenue and multiplied by 100%.

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

RISK FACTORS

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

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

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

OUR CONTROLLING SHAREHOLDERS GROUP

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

PRE-[REDACTED] INVESTMENTS

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

USE OF [REDACTED]

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

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

For details, see "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**]."

RECENT DEVELOPMENT

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

[REDACTED] STATISTICS

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

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

Notes:

(1) The calculation of market capitalization is based on [**REDACTED**] H Shares expected to be in issue immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

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

DIVIDENDS

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

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

[REDACTED] EXPENSES

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

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in this document.

"Accountants' Report"	the accountants' report of our Company, the text of which is set out in Appendix I to this document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council (會計及財務匯報局)
"Articles" or "Articles of Association"	the articles of association of our Company adopted on March 16, 2023 with effect from the [**REDACTED**], as amended from time to time, a summary of which is set out in Appendix V to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beijing Heyulongsheng"	Beijing Heyulongsheng Trade Co., Ltd. (北京賀裕隆盛貿易有限公司), a company incorporated under the laws of the PRC on January 31, 2013, which became a wholly-owned subsidiary of the Company in September 2020 and was deregistered in August 2021
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

[**REDACTED**]

[**REDACTED**]

"China" or "the PRC" or the "People's Republic of China"	the People's Republic of China, and for the purposes of this document only and except where the context requires otherwise, excluding Hong Kong, Macao Special Administrative Region and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Co-founder(s)"	Mr. Wang and Ms. Zhao

"Company", "our Company", "the Company" or "Shiyue Daotian"	Shiyue Daotian Group Co., Ltd. (十月稻田集團股份有限公司), a limited liability company incorporated in the PRC on May 3, 2018 and was converted into a joint stock limited company incorporated in the PRC on January 6, 2023
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company Law" or "PRC Company Law"	Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)" or "Controlling Shareholders Group"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang, Ms. Zhao, Shiyue Daotian Enterprise Management, Shiyue Jinfeng, Shiyue Zhongxin and Shenyang Hongsheng, as further detailed in the section headed "Relationship with Our Controlling Shareholders Group" in this document
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the national securities market in China
"Director(s)" or "our Directors"	the director(s) of our Company

"Domestic [**REDACTED**] Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are not listed on any stock exchange, and each share will be split into ten shares of RMB0.10 each immediately upon [**REDACTED**]
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	extreme conditions caused by a super typhoon, etc. as announced by the Government of Hong Kong
"Frost & Sullivan 2022 Survey"	the online questionnaire surveys conducted by Frost & Sullivan and commissioned by our Company, the content of which is set out in the section headed "Industry Overview – Consumer Survey" of this document

[**REDACTED**]

"Group", "our Group", "the Group", "we", "us" or "our"	our Company and its subsidiaries

[**REDACTED**]

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

[**REDACTED**]

[**REDACTED**]

"IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party" or "Independent Third Parties"	any entity(ies) or person(s) which/who, to the best knowledge of our Directors having made due and careful enquiries, is/are not a connected person(s) of our Company within the meaning of the Listing Rules

[**REDACTED**]

[**REDACTED**]

"Joint Sponsor(s)"	Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited and China Securities (International) Corporate Finance Company Limited
"Latest Practicable Date"	March 24, 2023, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication

[**REDACTED**]

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Wang"	Mr. Wang Bing (王兵), spouse of Ms. Zhao, the Chairman of our Board, an executive Director, the General Manager and one of our Controlling Shareholders
"Ms. Zhao"	Ms. Zhao Wenjun (趙文君), spouse of Mr. Wang, an executive Director, the Deputy General Manager, the Chief Marketing Officer and one of our Controlling Shareholders
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New PRC Regulations"	the "Decision of the State Council to Repeal Certain Administrative Regulations and Documents" issued by the State Council of the PRC on February 17, 2023 and the Overseas Listing Trial Measures and the related guidelines issued by the CSRC on February 17, 2023
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

[**REDACTED**]

"Overseas Listing Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) issued by the CSRC on February 17, 2023, effective from March 31, 2023
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Government" or "State"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Adviser"	Commerce & Finance Law Offices, the PRC legal adviser of our Company
"Pre-[**REDACTED**] Investment(s)"	the investment(s) in our Company undertaken by the Pre-[**REDACTED**] Investor(s) prior to [**REDACTED**], the details of which are set out in the section headed "History, Development and Corporate Structure" in this document
"Pre-[**REDACTED**] Investor(s)"	the investor(s) who acquired interest in our Company pursuant to the respective Pre-[**REDACTED**] Investment(s), details of which are set out in the section headed "History, Development and Corporate Structure" in this document

[**REDACTED**]

"Province" or "province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC Government
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"SCNPC"	the Standing Committee of the NPC
"Securities Law" or "PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time

"Series A Financing"	the financing of our Company by Generation Sigma HK Investment Limited in July 2020 and March 2021, details of which are set out in the section headed "History, Development and Corporate Structure" in this document
"Series B Financing"	the financing of our Company by Generation Sigma HK Investment Limited, YF Mega Media (HK) Limited, SCC Growth VI Holdco Y, Ltd., Shenzhen Sequoia Hanchen Equity Investment Partnership (Limited Partnership) (深圳市紅杉瀚辰股權投資合夥企業(有限合夥)), CMC October Holdings Limited and Ningbo Meishan Free Trade Port Zone Ceran Investment Management Partnership (Limited Partnership) (寧波梅山保税港區策然投資管理合夥企業(有限合夥)) in April 2021, details of which are set out in the section headed "History, Development and Corporate Structure" in this document
"Series C Financing"	the financing of our Company by MIC Capital Management 81 RSC Ltd in October 2022, details of which are set out in the section headed "History, Development and Corporate Structure" in this document
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
"Share(s)"	Domestic [**REDACTED**] Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of our Share(s)

"Share Split"	the split of the Company's registered Shares with nominal value of RMB1.0 each into 10 Shares with nominal value of RMB0.10 each, which is approved on March 30, 2023 and effective upon completion of the [**REDACTED**]
"Shenyang Xinchang"	Shenyang Xinchang Grain Trade Co., Ltd. (瀋陽信昌糧食貿易有限公司), a limited liability company incorporated under the laws of the PRC on June 27, 2005 and a wholly-owned subsidiary of the Company
"Shenyang Hongsheng"	Shenyang Hongsheng Enterprise Management Consulting Co., Ltd. (瀋陽鴻升企業管理諮詢有限公司), a limited liability company incorporated under the laws of the PRC on March 20, 2023 and one of our Controlling Shareholders
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Stock Exchange, SZSE, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"Shiyue Daotian Enterprise Management"	Shenyang Shiyue Daotian Enterprise Management Consulting Partnership (Limited Partnership) (瀋陽十月稻田企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 24, 2020 and one of our Controlling Shareholders
"Shiyue Jinfeng"	Shenyang Shiyue Jinfeng Enterprise Management Consulting Company Limited (瀋陽十月金豐企業管理諮詢有限公司), a limited liability company incorporated under the laws of the PRC on July 8, 2020 and one of our Controlling Shareholders
"Shiyue Zhongxin"	Shenyang Shiyue Zhongxin Enterprise Management Consulting Partnership (Limited Partnership) (瀋陽十月眾鑫企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 24, 2020 and one of our Controlling Shareholders

[**REDACTED**]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary" or "subsidiaries"	has the meaning ascribed to it under the Listing Rules

"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"Supervisory Committee"	supervisory committee of the Company
"SZSE"	Shenzhen Stock Exchange
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	three years ended December 31, 2020, 2021 and 2022
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

[**REDACTED**]

"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars'", "US$" or "USD"	United States dollars, the lawful currency of the United States
"VAT"	the PRC value-added tax
"Wuchang Caiqiao"	Wuchang City Caiqiao Rice Industry Co., Ltd. (五常市彩橋米業有限公司), a limited liability company incorporated under the laws of the PRC on December 6, 2013 and a wholly-owned subsidiary of the Company

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"Aohan millet"	millet grown in Aohan, Inner Mongolia, which has been certified as a National Geographical Indication Product in China
"CAGR"	compound annual growth rate
"community group buying platform(s)"	e-commerce platform(s) where community groups, composed of a group of consumers, purchase products in bulk and make payments to sellers electronically
"comprehensive e-commerce platform(s)"	comprehensive platform(s) where consumers purchase products and make payments to sellers electronically, such as JD.com and Tmall
"COVID-19"	the contagious respiratory illness caused by a newly identified coronavirus
"Daoxiang rice"	a rice variety, long and translucent in its appearance with a sticky, firm and sweet taste
"Double Eleven"	the annual online sales event in China on November 11
"ERP system"	enterprise resource planning system
"g"	gram
"GB/T19266"	certification standards for the National Geographical Indication Product, Wuchang rice, which is issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the State Standardization Administration of China
"GHG"	greenhouse gas (GHG) is a gas that absorbs and emits radiant energy within the thermal infrared range, causing the greenhouse effect

"HACCP"	Hazard Analysis Critical Control Points, a food safety risk management system which focuses on identifying and controlling food safety hazards
"ISO"	the International Organization for Standardization, a worldwide federation of national standards bodies
"ISO 9001"	an internationally accepted quality management system implemented by the ISO
"Japonica rice"	a major type of Asian rice
"JD.com"	京東, a website for business-to-consumer online retail in China
"JD Supermarket"	京東超市, a website for business-to-consumer online retail supermarket in China
"kg"	kilogram
"KOC(s)"	key opinion consumer(s)
"KOL(s)"	key opinion leader(s)
"Komachi rice"	a rice variety featuring short and round in its appearance with a moderately sticky taste
"LKA(s)"	regional supermarket, hypermarket and convenience store operators(s)
"long grain rice"	a rice variety, long and full in its appearance with a firm texture and taste
"mixed brown rice"	product(s) made of various types of brown rice for the purpose of this document
"modern retail channel(s)"	sales outlet(s) including hypermarkets, supermarkets and convenience stores
"National Geographical Indication Product"	a geographical indication product certification issued by the relevant authorities of the People's Republic of China for the protection of premium products of renowned places of origin for grains

"net promoter score"	a metric used to measure customer satisfaction, expressed as a numerical value up to a maximum value of 100. Net promoter score is obtained from customer surveys where participants rank their likelihood of recommending a certain brand to others from 0 to 10, and the participants are then categorized into "promoters", "passives", and "detractors" based on the scores. Net promoter score is subsequently calculated by subtracting the number of detractors from promoters and dividing that number by the total number of respondents
"NKA(s)"	national supermarket, hypermarket and convenience store operator(s)
"North China"	a geographical region of China, mainly consisting of Beijing, Tianjin, Shanxi Province, Inner Mongolia and Hebei Province
"Northeast China"	a geographical region of China, mainly consisting of Heilongjiang Province, Jilin Province and Liaoning Province
"Northeast China Plain"	a plain located in Northeast China with thick and fertile soil and extensive amounts of arable land
"Northeast Rice"	rice grown in Northeast China
"OA system"	office automation system
"OEM"	original equipment manufacturing, where a manufacturer manufactures a product in accordance with the customer's design and specifications and is marketed and sold under the customer's brand name or under no specific brand
"repurchase rate"	calculated by dividing the number of repurchasing customers by the number of customers within the same month, where repurchasing customer is defined as any customer who has purchased the products of the same brand again within 90 days
"social e-commerce platform(s)"	social media platform(s) integrated with e-commerce features where consumers purchase products and make payments to sellers electronically

"suggested retail price"	the price at which a manufacturer recommends that the retailers sell the product, including value-added taxes and excluding discounts offered by retailers
"Tmall"	天貓, a website for business-to-consumer online retail in China
"Tmall Supermarket"	天貓超市, a website for business-to-consumer online retail supermarket in China
"TMS"	transportation management system
"ton" or "tons"	metric ton or metric tons, 1,000 kilograms equals to 1 ton
"Wuchang rice"	rice grown in Wuchang, Harbin, Heilongjiang Province, which has been certified as a National Geographical Indication Product in China with implementation of the GB/T19266 standards
"%"	percent

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- general political and economic conditions, including those related to the jurisdiction where we operate in;
- our business prospects and our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industries and markets in which we operate or into which we intend to expand;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the jurisdiction where we operate in and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the jurisdiction where we operate in and the industries and markets in which we operate;
- various business opportunities that we may pursue; and
- capital market developments, changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [**REDACTED**] *in our* [**REDACTED**]. *The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our* [**REDACTED**] *could decline, and you may lose all or part of your investment. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our success depends on market recognition of our brands. Any damage to our brands or reputation may materially and adversely affect our business, financial condition and results of operations.

We gained our market-leading position and our broad consumer base through our brands across rice, whole grain, bean and dried food offerings, and our primary focus has been on continually enhancing our brand awareness among consumers. We have successfully built our two flagship brands, Shiyue Daotian and Firewood Courtyard, as well as other brands that cover various product categories over a decade. According to the Frost & Sullivan 2022 Survey, Shiyue Daotian and Firewood Courtyard are among the most recognized brands in China's rice, whole grain, bean and seed market. Maintaining and strengthening the reputation and market recognition of our brands are thus important to our business performance as it enables more consumers to trust our brands and select our products. Our brands and reputation may be affected by various factors, such as (i) consumer satisfaction with the safety, quality, taste and other perspective of our products, (ii) our promptness and effectiveness of communications with and response to consumers' questions or complaints, (iii) our ability to protect our trademarks, (iv) our relationship with suppliers and customers, and (v) public and media news, whether substantiated or not, about us. Any complaint, claim or negative publicity about us or our products, even if meritless or immaterial to our operations, could damage our brand and reputation. If we fail to maintain and strengthen the reputation and market recognition of our brands or mitigate the risks associated with our brand image and reputation, the value of our brands may be undermined, which may materially and adversely affect our business, financial condition and results of operations.

Our efforts in developing, launching and promoting new brands and products may not be successful, and our new products may not be fully recognized by the market.

Our sustainable development depends on our ability to constantly upgrade our brands and launch new products. We develop our products and build our brands with a consumer-centric approach. For instance, we have launched series such as "Cold Dew Autumn Aroma (寒露秋香) Series," "China Chic Series (國潮系列)"and "National Flower Series (國花系列)," to cater to the diverse preferences of consumers of different age groups and different consumption scenarios.

However, we cannot assure you that we will generate the expected outcomes through our endeavors. The development, launch and promotion of new brands and products are inherently uncertain. Even if we succeed in launching new products or brands, our new products may not be profitable, and our new brands may not be selected by consumers, within a short period of time or at all. If we cannot successfully develop or promote our new brands and products, our results of operations and business prospects may be materially and adversely affected.

We mainly rely on e-commerce platforms to market and sell our products online. If the e-commerce platforms we rely on to sell our products are interrupted or if our cooperation with such platforms terminates, deteriorates or becomes more costly, our business and results of operations may be materially and adversely affected.

We rely on online e-commerce platforms to increase our brand exposure and extend our reach to consumers. We sell products to online e-commerce platforms, including comprehensive e-commerce platforms, as well as community group buying platforms. We also sell products directly to end-consumers through our online self-operated stores on e-commerce platforms. During the Track Record Period, we have generated the majority of our revenue from sales to comprehensive e-commerce platforms. See "Business – Customers." At the same time, we are also exploring development opportunities on emerging e-commerce platforms. To better connect with consumers, we regularly conduct themed marketing activities on e-commerce platforms and in our online self-operated stores to attract consumers' attention. Changes in the platforms themselves or our cooperation with the platforms may materially and adversely affect our consumer base, and in turn affect our business and results of operations, including:

- the platforms are damaged or interrupted by power failure, computer viruses, acts of hacking and vandalism;
- the platforms are subject to negative publicity not attributable to us, such as their selling counterfeit or defective goods;
- the platforms fail to generate consumer traffic;
- our cooperation with the platforms is interrupted, terminates, deteriorates or becomes more costly; and

- changes in the policies of the platforms, such as restricting some of our marketing initiatives or the performance of certain KOLs we partner with.

As such changes are beyond our control, we cannot assure you that our relationship with the e-commerce platforms will maintain stable or platforms will constantly attract consumers for us. We cannot assure you that the cost of cooperating with e-commerce platforms will not increase. We also cannot assure you that we will be able to find alternative channels with terms and conditions commercially favorable or acceptable to us, or at all, especially given the leading position of some of the e-commerce platforms we have collaborated with.

We may encounter difficulties in maintaining, expanding or optimizing our sales network.

We have established an omnichannel sales network that penetrates the national market. In addition to online channels, our sales channels include modern retail channels, distribution network and direct customers. We devote considerable efforts into managing and maintaining a good relationship with our business partners across different channels in our sales network. However, we cannot assure you that we shall be able to maintain long-term, in-depth cooperation with our existing sales channels. In particular, comprehensive e-commerce platforms and modern retail channels generally have stronger bargaining power and higher requirements of their suppliers. If we are unable to meet their requirements, or are expected to incur commercially unreasonable performance costs, our cooperation may be terminated, which could have a material adverse impact on our reach to end-consumers, our business operation and financial performance. Also, while we require our distributors to comply with the distribution agreements, we cannot assure that they will act strictly in accordance with the agreements, or that we will always be prompt in detecting their noncompliance activities. Their failure to fulfill their obligations in accordance with the contracts could have a negative impact on our business, such as damaging our reputation, reducing our sales volumes, giving rise to costly and time-consuming litigation or causing us to incur additional contractual costs, including costs in finding new distributors as replacements due to to early termination.

In addition, we continually expand into more sales channels. However, establishing relationships with new business partners can be time-consuming and may incur additional costs. If we fail to expand into new sales channels, we may lose our competitive advantages to competitors or experience consumer attrition, thereby limiting the scale of our development in the future. Our ability to successfully integrate the new channels into our existing omnichannel sales network is subject to various factors such as (i) the availability of adequate management and financial resources; (ii) our ability to hire, train and retain skilled personnel; and (iii) our capabilities to adjust our supply chain and other operational and management systems in adapting to an expanded sales network. Failure to successfully expand our sales network could limit the scale of our future growth and, in turn, materially and adversely affect our business prospects.

Our marketing activities may not be effective in attracting consumers, or we may incur significant costs on a variety of sales and marketing efforts through multiple channels, which may materially and adversely affect our business, financial condition, and results of operations.

We conduct various marketing activities to promote our products. We strive to gain insights of consumer preferences to maintain and enhance our brand awareness via various approaches. See "Business – Branding and Marketing". In 2020, 2021 and 2022, our selling and distribution expenses were RMB126.1 million, RMB223.4 million and RMB314.8 million, respectively, accounting for 5.4%, 6.2% and 7.0% of our total revenue during the same periods, respectively.

Although we endeavor to plan our investment in sales and marketing efficiently while achieving expected marketing results, we cannot guarantee that the marketing strategies we apply will be cost-effective. If the sales and marketing activities to which we devote significant resources are ineffective, our business, financial condition and results of operations may be materially and adversely affected. In addition, as technologies improve rapidly and the way that people obtain and share information is continually shifting, we will have to refine our approach as to how and where we market and diversify our product offerings aimed at consumers with differing characteristics. We cannot assure you that our marketing activities will precisely capture the consumer behavioral pattern so that purchases of our products will increase, or that our sales and marketing strategies apply effectively to the new brands that we may launch, and the failure of any of these may materially and adversely affect our results of operations.

Changes in supply, quality and costs of raw materials and other necessary supplies or services, or any failure by our suppliers to supply raw materials or provide services that are consistent with our standards or applicable regulatory requirements may materially and adversely affect our business, financial condition and results of operations.

We aim to bring premium products by ensuring the quality of supplies of raw materials and packaging materials, and services such as OEM, warehousing and logistics. We also intend to ensure the quality of our raw materials by implementing stringent quality control standards and supplier admission and management system. See "Business – Food Safety and Quality Control." The raw materials we use include, by category, (i) paddy, (ii) whole grain and bean such as millet, red beans and mung beans, (iii) dried food, such as wood ear mushrooms, snow fungus mushroom and lotus seeds, and (iv) other raw materials such as corn. For key raw materials, we collaborate with multiple suppliers to reduce the risks of shortages. See "Business – Raw Materials, Packaging Materials and Major Suppliers." For the years ended December 31, 2020, 2021 and 2022, the total costs of our raw materials are amounted to RMB1,590.1 million, RMB2,453.0 million and RMB2,973.1 million, respectively, which accounted for 68.3%, 68.2% and 65.6% of our total revenue for the same periods, respectively.

However, we may be subject to the risks associated with the price fluctuations of, shortages of, and defects or deterioration of our raw materials and packaging materials. The prices of our raw materials and packaging fluctuate with market conditions and are subject to various factors beyond our control, such as supply and demand, inflation, and governmental regulations and policies. We do not engage in hedging activities related to the risk exposures in connection with the price of our raw materials and may face price fluctuations. See "Business – Raw Materials, Packaging Materials and Major Suppliers." We may also experience a shortage in supply as a result of suspension of transit. Although we have engaged and established good relationships with multiple suppliers to ensure our supplies, and have gained preferred bargaining positions, we cannot assure that we will be able to successfully retain and manage our suppliers to keep our procurement costs within a reasonable range, or maintain obtain sufficient supplies or find new suppliers on similar terms in a timely manner if our relationships with one or more suppliers terminate. In addition, we cannot assure that we will detect all risks through our quality assurance systems. Any incident associated with the supply of our raw materials or our relationships with suppliers may result in increased costs, disruption in the supply chain, and reputational damage, which could have a material adverse effect on our business, financial condition, and results of operations.

Any failure to maintain our product quality or food safety could materially and adversely affect our results of operations.

The safety and quality of our products are essential to our success and reputation. Our products generally reach consumers after various phases, including transportation, warehousing and delivery. As such, our food safety and product quality are affected by various factors, including the quality of raw materials, hygiene of production bases, and the methods we use to store and transport our products. Although we have adopted stringent management measures throughout the entire production and operation process, including the procurement of raw materials, production and selling, we can not assure you that we will be able to effectively detect and avoid all food safety-related incidents, which may materially and adversely affect our brand image, business operation and financial performance.

We are also required to comply with the laws and regulations related to food safety and product quality in China, such as the Food Safety Law of the PRC (《中華人民共和國食品安全法》) and Administrative Measures of Food Production Licensing (《食品生產許可管理辦法》). Please refer to "Regulatory Overview – Laws and Regulations Relating to Producing and Selling our Products – Regulations on Food Safety" and "Regulatory Overview – Laws and Regulations Relating to Product Quality and Consumer Protection." If we fail to detect safety or quality issues or if we are found in violation of the laws and regulations, we may be subject to liability claims, reduced consumer satisfaction and the imposition of penalties by relevant authorities, which could in turn affect our long-term success.

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.

Our business is sensitive to natural disasters, extreme weather, other catastrophic events and epidemics, including pest infestation, floods, earthquakes, typhoons, fires, water shortages, power failures and shortages, equipment or IT system failures, strikes, acts of terrorism, and war. Any of these circumstances may adversely affect the adequacy of our supply. We have consistently focused on sourcing raw materials from renowned places of origin for grains in China, particularly the Northeast China Plain. We may also face interruptions or delays in the supply of raw materials. Although we have not experienced any land contamination or material deterioration of the natural environment that could materially and adversely affect our operation, we cannot assure you that the regions from which we purchase raw materials will not be affected by contamination or pollution in the future. We expect our suppliers to comply with their contracts, but there may be contingent failures or delays in their performance of contracts. Occurrences of incidents or events beyond their control may also be obstacles to them fulfilling their obligations. Although we source raw materials from multiple regions to reduce risks, our ability to respond to catastrophic events may be limited. As of the Latest Practicable Date, we operated four production bases in Shenyang Xinmin, Wuchang, Songyuan and Aohan, and were constructing one production base in Tonghe. Any of such events may seriously damage our production bases and incur additional costs, and we may not be able to find alternative production solutions in a timely fashion. The then-current inventories may also be affected and we may incur substantial losses. As a result, any of the foregoing could increase operating costs or cause damage and losses to us as a result of disruptions to our operations, which could adversely affect our results of operations.

In particular, we are also susceptible to health epidemics or other outbreaks. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies of China. For example, operation of our production bases was temporarily affected by occurrence of pandemics. If such incidents occur, our business, financial condition and results of operations may be materially and adversely affected.

We may face inadequate production capacity issues, which could hinder our capabilities to satisfy consumers' needs and our growth prospects.

The demand and sales of our certain products may sharply increase during our marketing campaigns and peak production seasons, which in turn may cause production capacity to be unable to satisfy sales needs. We cannot guarantee that the existing capacity of our production will meet market demands in the future, and may at times face insufficiencies in our production capacity. Our production capability may be affected by any natural or man-made disasters, such as fires, floods, storms, earthquakes, explosions, extreme weather, breakdown of equipment or IT systems, strikes, acts of terrorism, wars and other interruptions such as power and water suspension, most of which are beyond our control. Although our production and operating activities or financial performance had not been affected by such incidents as of the Latest Practicable Date, they may cause interruption of our production, and may materially and adversely affect our business, financial condition and results of operations.

We face fierce industry competition and low industry concentration. Failure to complete with other market players may adversely affect our market share and profitability.

China's rice, whole grain, bean and seed industry is competitive and fragmented, according to Frost & Sullivan. We face strong competition from a large number of players in our industry, including large-scale groups, small-scale self-operated sellers, as well as new entrants. The large-scale groups or enterprises may have a long history, ample business resources and a proven track record in producing and selling, with well-established positions in several selling channels, such as traditional offline distribution, retail sales or direct sales. Therefore, we may need to make more efforts to compete with them in these channels, and may incur increasing advertising expenses and conduct further marketing activities.

Our product spectrum is similar to that of our competitors. We cannot assure you that imitation or counterfeiting of our products, logos or brands will not occur in the market. Failure to detect and mitigate such risks may affect our brand and reputation, which may in turn negatively affect our competitive position.

Warehousing and logistics capabilities are key to our operations. We are subject to risks relating to the warehousing of the products we sell. Any interruption or delay of delivery or improper handling of goods may affect our efficiency and consumer satisfaction, which may result in a negative effect on our business.

We store our products in our warehouses, built along with our production bases, before delivery. If accidents such as fires were to occur, our ability to perform the contracts with our customers could be adversely affected.

During the Track Record Period, our logistics were primarily provided by third-party logistics service suppliers, while we also operate our own logistics team to support the supervision of the transportation of goods. Although we closely plan and monitor our whole logistics process through our TMS system and communicate actively with our logistics service providers, we cannot assure you that our products will always be delivered within the predetermined period. As we do not have direct control over our outsourced logistics service providers, we cannot guarantee the quality of delivery. There may be improper handling of products, which may adversely affect our consumer satisfaction, and our brand image may be tarnished. Any interruption or delay of delivery or improper handling of goods may materially and adversely affect our business, financial condition and results of operations.

Our business operations may be subject to seasonality, which may result in certain periods when our results of operations fall short of expectations.

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. See "Business – Raw Materials, Packaging Materials and Major Suppliers." Therefore, we generally have relatively high volumes 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 interim results may not be indicative of annual results.

We may not be able to maintain our revenue growth and profitability or realize revenue increase and good profitability continuously, and our historical results of operations and financial performance may not be indicative of future performance.

We experienced significant growth during the Track Record Period. Our revenue increased by 54.6%, from RMB2,327.0 million in 2020, to RMB3,598.3 million in 2021, and further increased by 26.0% to RMB4,532.9 million in 2022. Our gross profit increased by 32.8%, from RMB404.7 million in 2020 to RMB537.5 million in 2021, and further increased by 45.0% to RMB779.5 million in 2022. Although our revenue experienced a significant increase during the Track Record Period, there is no assurance that we will be able to maintain our product sales and our historical growth rate, or achieve a higher growth rate in the future. We face a number of risks in terms of achieving our future plans, such as:

- integrating more channels into our sales network;
- expanding our manufacturing and/or service facilities;
- controlling costs and operating expenses in anticipation of expanded operations;
- recruiting and retaining suitable and professional employees;
- implementing and enhancing our internal control systems and other systems or processes;
- addressing new market opportunities and foreseeing challenges as they arise.

Our growth may also slow due to factors beyond our control, including decreasing consumer spending, increasing competition, declining growth of China's rice, whole grain, bean and seed industry and changes in the regulatory environment or general economic conditions. Risks that may affect our future plans and factors beyond our control may hinder our future success, and our revenue and gross profit may be negatively affected.

We generate a large portion of our revenue from a small number of customers.

Revenue generated from our top five customers for 2020, 2021 and 2022 accounted for 73.3%, 58.0% and 55.1% of our total revenue, respectively. Revenue generated from our largest customer for 2020, 2021 and 2022 accounted for 42.3%, 28.1% and 26.9% of our total revenue, respectively. Any factors that could cause these customers to reduce their purchases from us, such as economic downturns, changes in industry dynamics, or customer-specific issues, could have a significant impact on our business.

We have been actively expanding our customer base, diversifying our product offerings and adapting to the evolving sales channels. However, there can be no assurance that these efforts will be successful, and if we are unable to maintain or increase our revenue from our existing customers or develop new customer relationships, our business, financial condition, and results of operations could be materially and adversely affected.

If we are unable to perform our contracts, our results of operations and financial condition may be adversely affected.

As of December 31, 2020, 2021 and 2022, we had contract liabilities of RMB4.2 million, RMB18.6 million and RMB31.6 million, respectively. Our contract liabilities were primarily short-term advance payments from customers. See "Financial Information – Discussion of Selected Items from the Consolidated Statements – Contract Liabilities." If we fail to fulfill our obligations under our contracts with customers, we may be unable be able to convert such contract liabilities into revenue, and our customers may require us to refund the prepayments they have made, which may in turn adversely affect our financial condition.

If we fail to effectively implement our future production expansion plans, our business prospects may be materially and adversely affected.

We aim to expand our production capacity in line with the growth of our business. The feasibility of our production expansion plan is limited to various factors, such as (i) the availability of suitable locations to establish our production premises, (ii) the location of convenient logistics for the new production bases, (iii) the availability of adequate management and financial resources, and (iv) our ability to hire, train and retain skilled personnel. We may have initially invested significant resources in planning, locating, negotiations, and construction, and failure to achieve our production expansion plan may cause us to be unable to satisfy consumers' demands and recoup the costs incurred, and may hinder our business prospects. The delay or cancellation of our expansion could also subject us to disputes with various counterparties, including but not limited to, general contractors and subcontractors, equipment suppliers, financiers and relevant governmental authorities. As a consequence, our business, financial condition and results of operations may be materially and adversely affected.

Our investment in, and maintenance or upgrades of our production equipment and facilities, technologies and other equipment related to operations may not be carried out successfully, which may in turn adversely affect our business growth.

To achieve our expansion plan and optimize our production efficiency, we continually maintain the existing production equipment and facilities, expand the production capacity through upgrading our existing equipment and establishing new production facilities, purchase new production equipment, improve production techniques and purchase logistics equipment. In addition, we allocate our human resources and other resources to managing these operational needs. We cannot assure you that such investments, maintenance and upgrades can be carried out successfully, or generate positive cash flows or profitable returns within a short period of time, or at all. Such investments, maintenance and upgrades may become ineffective or obsolete as a result of updates in technology or industry standards, which could result in a material adverse effect on our business and financial condition.

If we fail to effectively implement our future expansion, our business prospects maybe materially and adversely affected.

We expect to expand the scale of our business in the future, and may achieve our goal by organic growth, and investments in and/or acquiring targets that meet our standards. However, we may be unable to effectively implement our future expansion. For example, we may encounter risks when we develop new sales channels and explore new markets due to different regulatory requirements. competitive landscape, consumer preferences, spending patterns and operational environment from our existing channels and markets. Our ability to grow through acquisition depends upon our ability to identify and negotiate with the target companies and obtain the necessary financing for our expansion plan. We may not find satisfying targets or be able to gain a preferred bargaining position when negotiating with our targets. Any failure to implement our our future expansion may materially and adversely affect our business, financial condition and results of operations.

We may face the risk of inventory obsolescence. Our operating results could be materially harmed if we are unable to accurately forecast consumer demand for our products and efficiently manage our inventory.

Our inventories mainly include raw materials and finished products. As of December 31, 2020, 2021 and 2022, we had inventories of RMB647.2 million, RMB1,049.8 million, and RMB1,372.7 million, respectively. Our inventory turnover days for 2020, 2021 and 2022 were 100 days, 100 days and 116 days, respectively. See "Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position – Inventories." If the prices of raw materials and finished products decrease drastically, or our finished products are unsalable, and we may not respond effectively or in a timely manner, we may face the risk of a decline in value of our inventories. See "– Our business operations may be subject to seasonality, which makes certain period of our results of operations to fall short of expectations." In addition, failure to forecast consumer demand or any unexpected event affecting the sales of our products could result in increased inventory obsolescence, a decline in inventory value or inventory write-downs.

Any changes in China's pantry staple food industry may adversely affect our business, results of operations and financial condition.

We primarily derived our revenue from sales of our rice, whole grain, bean, and dried food products during the Track Record Period. Our business depends on the condition and growth of China's pantry staple food industry, which could be affected by factors such as the general economic conditions, the shift in consumer diary structure and eating habits, and consumers' disposable income. Any future changes in China's pantry staple food industry could adversely affect our business, operating results and financial condition.

Our business relies on consumer demand for our products. Any shift in consumer demands or any unexpected situation with a negative impact on consumer demand may materially and adversely affect our business and results of operations.

Our success relies largely on the demands of our consumers. Our consumers' demands may fluctuate due to a series of factors, such as (i) changes in general economic conditions, (ii) changes in disposable income, and (iii) changes in consumer preferences. In particular, consumer preferences, as reflected in their eating habits and dietary structures, may shift as food choices continually broaden, which may result in reduced demand for our products.

While we continue to upgrade our existing products and develop, design and launch new products, we cannot assure you that our product offerings will continue to cater to consumer preferences or meet growing consumer demands. Although we adjust our marketing strategies and introduce different brands and products to different groups according to consumer preferences, we may be unable to accurately capture changes in consumers' preferences and tastes. Any of these changes could negatively affect the price and sales volumes of our products and could have a material adverse impact on our business, financial condition and results of operations.

Our insurance coverage may be insufficient to cover all of our potential losses.

We maintain limited insurance policies covering risks with respect to our properties and inventories. As of the Latest Practicable Date, we had not maintained product liability insurance for all of our products, and do not carry any business interruption or litigation insurance. We believe such practice is in line with the customary practice of our industry. See "Business – Insurance." Any adverse occurrences to our properties and inventories, liability claims for damages relating to our products, interruption to our operations, and the resulting losses or damage, could materially and adversely affect our business, financial condition and results of operations.

Our business and prospects depend on our ability to build our brands and reputation, which could be harmed by negative publicity with respect to our Company, Directors, employees, branding or products, whether warranted or not, and could adversely affect our business.

Our success is built on our established brand image and reputation, which may be susceptible to the public's perception of us. Due to our leading position in our industry, we may be subject to public scrutiny and thus incur significant costs to respond to such negative publicity. We cannot assure that no one will, intentionally or incidentally, distribute information about us, especially regarding the safety and quality of our products or our internal management matters. Any unauthorized dissemination of inside information, whether positive or negative, could disrupt our normal production and operations. We may also face rumors, which could lead to negative public perceptions of us. If we take legal action against rumormongers, we may incur significant financial and time costs, and may also risk damage to our reputation before a trial is completed. Accordingly, any negative publicity regarding any aspects of our business may materially and adversely affect our business, financial condition and results of operation.

Our brands and products may be subject to counterfeiting, imitation or infringement by third parties.

We rely on intellectual property laws in China to protect our brands and intellectual property rights. During the Track Record Period, we found that some external parties sold certain products under "copycat" brand names and trademarks that resembled ours. Although these circumstances occurred infrequently, with no material effect on our business, any litigation to prosecute infringements of our rights and products may be expensive and will divert management attention and other resources from our business. In addition, we cannot guarantee that counterfeit products will not lead to concerns such as food safety and product quality, or that our reputation will not be damaged due to the difficulties to distinguish such products from ours. If the above circumstances occur, our business, financial condition and results of operations could be materially and adversely affected.

Failure to comply with health safety, environment protection, fire control and labor-related laws and regulations may subject us to fines or penalties or incur costs that could materially and adversely affect the success of our business.

We are subject to extensive government laws and regulations regarding all aspects of production and operations, such as health safety, environment protection, fire control, drainage, water usage and employment. See "Regulatory Overview." We are required to maintain various licenses and permits with respect to the public health safety in order to operate our business. For example, the Food Safety Law of the PRC (《中華人民共和國食品安全法》) requires all enterprises engaged in food production to obtain a food production license. It also sets out stringent safety standards with respect to food and food additives, packaging and information to be disclosed on packaging, as well as safety requirements for food production and sites, facilities and equipment used for the transportation and sale of food.

In addition, we are subject to a variety of laws and regulations imposed by the government relating to environmental protection, fire safety and other safety, such as obtaining environment protection acceptance for some of our sites and completing fire safety filing procedures. Compliance with existing and future environmental protection, public health safety, fire safety and other safety laws could subject us to costs or liabilities, including monetary damages and fines, affect our production capabilities, result in the suspension of our business operations and generally impact our financial performance. For example, during the Track Record Period, certain of our production facilities had not completed fire safety filing procedures after completion of construction. As of the Latest Practicable Date, we had suspended production at relevant production facilities for renovation, which has no material adverse effect to our business.

Failure to comply with the abovementioned laws, regulations and requirements applicable to our business may result in fines, suspension of operations, loss of licenses, and, in more extreme cases, criminal proceedings against us and our management. Any of these events may have an adverse impact on our business, results of operations and financial condition.

Laws and regulations related to e-commerce activities may impose additional requirements and obligations on our online operations.

The e-commerce activities we conduct on the e-commerce platforms with which we collaborate are critical to us. With the consistent development of the e-commerce industry, activities related to e-commerce are subject to stricter regulations in areas such as data privacy. For example, the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), promulgated by the SCNPC on August 31, 2018 and implemented on January 1, 2019, requires all e-commerce operators, broadly defined to include natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, to abide by the principles of voluntariness, equality, equity and good faith, observe the law and business ethics, participate fairly in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for the quality of products or services, and accept supervision by the government and the public. Compliance with the evolving laws and regulations may subject us to high costs in our online channels, and we cannot assure you that we will be able to meet all the regulatory requirements in a timely manner.

Any quality-related issues in China's rice, whole grain, bean and seed industry could have a material and adverse impact on our business and reputation.

China's rice, whole grain, bean and seed industry is highly fragmented with various sizes of market players, according to Frost & Sullivan. As an industry that involves food processing and selling activities, market players therein face strict supervision from the public, government authorities, the media and other competitors. Some market players may fail to implement strict quality control measures, provide products with quality defects to consumers or violate the laws and regulations associated with food safety and product quality. In such events, consumers may tend to be led by negative publicity, lose faith in our industry as a whole, and reduce their spending on our products. As a result, our business and reputation may be adversely and materially affected.

Any failure or perceived failure to comply with privacy, data protection and information security may materially and adversely affect our business and financial condition, and results of operations.

We collect certain information from our consumers for operation and transportation purposes. Our business is subject to various laws and regulations in China associated with data processing, such as the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), the PRC Cyber Security Law (《中華人民共和國網絡安全法》) (the "Cyber Security Law"), the PRC Data Security Law (《中華人民共和國數據安全法》) and the Measures for Cybersecurity Review (《網絡安全審查辦法》). Although we have implemented stringent internal control policies, we cannot ensure that our data may not be abused by our employees or leaked by intention or negligence to third parties, which may cause damage to our consumers. Any failure or perceived failure to comply with data privacy, protection and information security laws with respect to the collection, use, storage, retention, transfer, disclose and other processing of data, may result in negative publicity, claims, litigation or investigations imposed by applicable authorities, and materially and adversely affect our business, financial condition and results of operations.

Our information technology and software systems may experience unexpected system failures, interruptions, inadequacies or security breaches.

Our competitiveness and efficiency are supported by our advanced information technology. The IT systems we utilize cover various aspects of our business, including raw materials supply, production, operation and logistics. See "Business – Information Technology." Our information systems may be vulnerable to damage or interruption from circumstances beyond our control, including computer viruses, acts of hacking, vandalism, power outages, fire or other natural disasters. Any significant failure of our information technology systems, or loss or leakage of confidential information could result in transaction errors, process inefficiencies and loss of sales, which could further harm our reputation and materially and adversely affect our business, financial condition and results of operations.

We are required to obtain and maintain various licenses, approvals and permits, the failure to obtain or renew any of which may have a material adverse effect on us.

Our business requires us to obtain and renew, from time to time, certain approvals, licenses, registrations and permits. For example, in addition to business licenses, we are required to obtain food production permits and food trading permits (or record filings) for our food production and trading business. These approvals, licenses and permits are granted upon satisfactory compliance with, among others, the applicable laws and regulations including the Food Safety Law of the PRC (《中華人民共和國食品安全法》). These approvals, licenses and permits are subject to examination or verification by relevant authorities and are valid for a fixed period of time subject to renewal and accreditation. We cannot guarantee that we will be able to renew in a timely manner all of the licenses upon their expiration.

In addition, we may increase our business lines or make acquisitions in the future, which may expose us to the risk of being unable to obtain the required licenses, approvals or permits. Further, the approvals, licenses, registrations and permits issued to us may be suspended or revoked in the event of noncompliance or alleged noncompliance with any terms or conditions thereof, or pursuant to any regulatory action.

Any failure to renew the approvals that have expired or apply for and obtain the required approvals, licenses, registrations or permits, or any suspension or revocation of any of the approvals, licenses, registrations and permits that have been or may be issued to us, as well as any noncompliance incidents, may increase our operational costs and impede our operations.

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

Our intellectual property rights are key to our success and competitiveness, which primarily consist of trademarks, copyrights, patents and domain names. We have taken proactive approaches to protect our intellectual property portfolio. We designate dedicated personnel and engage external service agencies to monitor the application status of intellectual property rights and perform routine checks on the public trademark registration platform, to ensure our trademarks are not infringed by third parties. We also take measures to combat infringement of our intellectual properties. See "Business – Intellectual Property." However, we cannot assure you that these proactive measures will effectively protect our intellectual property rights from any unauthorized use, misappropriation or disclosure. We cannot guarantee that we will successfully defend ourselves in any claims or legal proceedings in the event of inappropriate use of our intellectual property.

On the other hand, we may be likely to encounter claims of infringement that interfere with our use of trademarks and other intellectual property rights. Defending against such claims could be costly, and if we are unsuccessful in defending such claims, we may be prohibited from continuing to use such proprietary information for purposes including, in particular, our sales, marketing and promotion activities through any sales channel in the future, or may be compelled to pay damages, royalties or other expenses for the use of such proprietary information. Any of the above could negatively affect our sales, profitability, operations and prospects.

Our success depends on the efforts of our management team. We may be unable to retain or promptly recruit management members or other key personnel required for our operations.

The composition and continued commitment of our management team have been key elements of our success and ability to operate effectively. Our key personnel's expertise in business strategies, product development, business operations, production, warehousing, logistics management, sales and marketing, regulatory compliance and relationships with our customers and suppliers is crucial to us. Although we believe we offer our management team and employees competitive compensation packages and a collaborative working environment, we cannot guarantee that if we experience any significant, material changes to the composition of our management team and our key employees we would be able to recruit suitable or qualified replacements promptly or at all. We cannot assure that the new personnel may adapt to our business. Recruitment and training new personnel may also incur additional expenses, which could disrupt our business and limit our ability to grow. Further, if we lose our management or key personnel to competitors, our competitiveness, operations and ability to grow may be adversely affected.

We may experience deterioration in relationships with our employees, shortage of labor or increase in labor costs, which may have an adverse effect on our results of operations.

As the production and sale of our products are labor-intensive, attracting and retaining qualified employees has an important role in our success. We are committed to providing fair and equal opportunities to our employees in terms of evaluating their performance and intend to offer them competitive wages and incentives. However, we may be subject to claims, investigations and negative publicity in relation to safety of production, workplace environment or occupational hazards, especially when our employees, third-party service providers and the public suffer from injuries or casualties at our facilities or during the transportation of our products, which may cause a deterioration in labor relations with our employees.

We recruited employees primarily through on-campus recruitment, employment websites and referrals during the Track Record Period. Recruitment activities usually cause additional expenditure to us. With the continuing increase in the level of wages, we may also encounter difficulties offering wages satisfactory to our employees. Failure to offer satisfactory wages may lead to the resignation of our employees or a shortage of labor. The increase in labor costs and the shortage of labor may materially and adversely affect our business, financial condition and results of operations.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties may have a material adverse effect on our business.

We may be subject to illegal activities conducted by our employees, customers, suppliers or other third parties, such as negligence, fraud, corruption and bribery. These activities may lead to liabilities, fines and other penalties imposed by applicable government authorities. Although we have adopted internal control policies with regard to the review and approval of merchant accounts, sales activities, interactions with business partners and government officials, provided anti-corruption and anti-bribery compliance training periodically to our management and employees, and distributed employee handbooks to enhance employees' awareness of complying with laws and regulations, we cannot guarantee that these measures will effectively prevent any occurrence of illegal activities. Failure to detect and prevent violations of laws and regulations by our employees or collaborators in terms of the abovementioned activities may damage our brand and reputation, and in turn materially and adversely affect our business, financial condition and results of operations.

We are subject to potential material and adverse effects in respect of defects in our existing properties owned and leased in China.

As at the Latest Practicable Date, we had not obtained land use right certificates and building ownership certificates for certain of our owned buildings. The relevant properties are mainly used for production, warehousing and offices. There is no assurance that we will not be subject to any administrative penalties for these defective titles in the future, and if this were to happen, our business, results of operation and financial position may be adversely affected. For details, please see "Business – Properties". Further, as of the Latest Practicable Date, we leased 31 buildings, and besides, we leased lands in six villages. In relation to certain of these leased properties, we have entered into lease agreements with parties who have not provided us with evidence of proper legal title to the leased lands or buildings. As advised by our PRC Legal Adviser, if the lessors do not have the requisite rights to lease these lands or buildings, we may be required to relocate or discontinue our use. In addition, as of the Latest Practicable Date, we had not registered the lease agreements for 30 of our leased buildings with the relevant competent authorities in accordance with applicable laws and regulations in China, which is mainly due to owners' reluctance in registering relevant lease agreements despite our efforts in communicating such requests. As advised by our PRC Legal Adviser, if we or the landlords fail to register such lease agreements for our leased buildings as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreement. There can be no assurance that the relevant government authorities would not impose administrative penalties on us as a result of the non-registration of these lease agreements.

Failure to maintain or renew our current land use rights and leases, or locate desirable alternatives for our facilities could materially and adversely affect our business.

We have entered into lease agreements with a fixed term. As of the Latest Practicable Date, we leased lands located in six villages with an aggregate gross area of approximately 8,969,468 sq.m. and 31 buildings with an aggregate gross floor area of approximately 68,251 sq.m., respectively. See "Business – Properties – Leased Properties." We need to maintain our current land use rights and renew the agreements accordingly when the agreements expire. If any of the agreements are altered, terminated, materially breached or alleged to be invalid, we may be forced to relocate to a new location. We cannot assure you that we will be able to find alternative properties in a timely manner. As a result, we may incur additional costs and our operations and business may be materially and adversely disrupted.

If we fail to maintain adequate internal control measures, we may be unable to effectively manage our business and may experience errors or information lapses affecting our business.

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Our efforts in improving our internal control system may not eliminate all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business may be affected.

We may be exposed to credit risks related to our trade receivables.

We have entered into a wide variety of contractual arrangements with different counterparties in the ordinary course of our business. Our credit risks primarily arise from trade receivables. We usually grant a credit term to our corporate customers by assessing business relationship and credit background, except for our distributors that need to make full payment before picking up the goods. Our trade receivables as of December 31, 2020, 2021 and 2022 amounted to RMB90.0 million, RMB308.1 million and RMB399.1 million, respectively. During the Track Record Period, the turnover days of our trade receivables were 13, 20 and 28 days in 2020, 2021 and 2022, respectively. Our management regularly reviews the recoverability of overdue balances for trade receivables and may provide for impairment when appropriate. As there is limited financial or public information on many of our counterparties, we cannot assure you that all of our counterparties are creditworthy and reputable and will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we are exposed to risks that our counterparties may fail to fulfill their obligations to us under our contracts.

Any negative impact on our working capital, including failure to maintain optimal inventory levels and increase of trade receivables, may materially and adversely affect our operating cash flow.

Our business requires us to manage a large volume of inventory efficiently. As of December 31, 2020, 2021 and 2022, we had inventories of RMB647.2 million, RMB1,049.8 million and RMB1,372.7 million, respectively. We also grant credit to our customers in line with industry practice. Our trade receivables as of December 31, 2020, 2021 and 2022 amounted to RMB90.0 million, RMB308.1 million and RMB399.1 million, respectively. To manage our working capital, we review our liquidity position on an ongoing basis, including the review of expected cash inflows and outflows, results of performance, trade and other receivable balance and inventory level to monitor our liquidity requirements in the short and long term. We cannot assure you that we will not encounter inventory obsolescence or that our counterparties are all creditworthy and will duly perform the contracts between us. Any failure to manage our working capital may materially and adversely affect our financial condition.

We had recorded net loss, net liabilities and net cash used in operating activities during the Track Record Period.

Our net loss was RMB172.9 million and RMB564.2 million in 2021 and 2022, respectively. See "Financial Information – Description of Major Components of Our Results of Operations." We had net liabilities of RMB106.4 million as of December 31, 2022, compared to net assets of RMB218.6 million as of December 31, 2021, primarily due to (i) the increase in financial instruments issued to investors; (ii) the increase in bank and other loans; (iii) the increase in trade and other payables, partially offset by (iv) the increase in inventories; and (v) the increase in property plant and equipment. See "Summary – Selected Items from the Consolidated Statement of Financial Position" and "Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position." Our net cash used in operating activities was RMB495.2 million in 2021. See "Financial Information – Liquidity and Capital Resources – Cash Flow." There is no guarantee that we will not continue to record net loss, net liabilities and net cash used in operating activities in the future.

We may require additional funding to finance our operations, which may not be available on favorable terms or at all.

We have historically funded our cash requirements principally from equity and debt financing and cash generated from operations. To finance our ongoing operations, existing and future capital expenditure requirements, investment plans and other funding requirements, we may need to obtain adequate financing from external sources to supplement our internal sources of liquidity in the future. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including, among other things:

- regulatory approvals to obtain financing in the domestic or international markets;
- our financial condition, results of operations, cash flows and credit history;

- the condition of the global and domestic financial markets; and
- changes in the monetary policies with respect to bank interest rates and lending practices and conditions of the jurisdictions where we operate.

We cannot assure you that we will be able to obtain bank loans or renew existing credit facilities in the future on favorable terms, or at all, or that any fluctuation in interest rates will not affect our ability to fund our operations and planned developments. Our efforts to raise equity capital, if any, may result in the dilution of the shareholdings of our existing Shareholders. If adequate funding is not available to us on favorable terms, or at all, we may be unable to fund our existing operations and develop or expand our business, and therefore our business, financial condition, results of operations and prospects may be materially and adversely affected.

Any reduction or discontinuation of the preferential tax treatment or government grants may significantly impact our financial condition and results of operations.

We benefited from preferential tax treatment and government grants during the Track Record Period. The PRC Enterprise Income Tax Law and its implementation rules have adopted a statutory enterprise income tax rate of 25%. During the Track Record Period, we paid enterprise income tax at the rate of 25%, except for certain subsidiaries which enjoyed preferential tax treatment. If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations. We have also received government grants. See "Financial Information – Description of Major Components of our Results of Operations – Other Net Income." We cannot assure you that we will continue receiving or benefiting from such grants in the future.

We may be subject to additional contributions of social insurance premium and housing provident funds, and late payments and fines imposed by relevant governmental authorities.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Administrative Regulations on the Housing Provident Fund of the PRC (《住房公積金管理條例》), we are required to make social insurance premium payments and contributions to housing provident funds for our employees. We failed to make full contributions to the social insurance and housing provident funds in the full amount for certain employees. See "Business – Employees" As advised by our PRC Legal Adviser, the relevant PRC authorities could order us to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if we fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. In case we are overdue in the payment and deposit of, or underpays, the housing provident fund, the authority could order us to make the payment and deposit within a prescribed time limit, and where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a court in China for compulsory enforcement.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY IN THE PRINCIPAL PLACE OF OUR BUSINESS

Any deficiencies in China's internet infrastructure could impair our ability to sell products over our online sales network, which could cause us to lose consumers.

Our sales through online sale channels contribute a large proportion of our revenues. Our online sales primarily include sales through comprehensive e-commerce platforms, and online self-operated stores. See "Business – Our Omnichannel Sales Network." These sales depend on the performance and reliability of the internet infrastructure in China. The availability of our own web-based sales platform and e-commerce platforms depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we or e-commerce platforms are unable to enter into and renew agreements with these providers on acceptable terms, or if any of our or their existing agreements with such providers are terminated as a result of our or their breach or otherwise, as applicable, our ability to sell products to our consumers through online channels could be adversely affected. Service interruptions prevent consumers from accessing our online sales channels and placing orders, and frequent interruptions could frustrate consumers and discourage them from attempting to place orders, which could cause us to lose end-consumers and harm our operating results.

We may be subject to complaints, disputes and lawsuits in the ordinary course of our business.

We may be subject to complaints, disputes and lawsuits in the ordinary course of our business, which may be associated with issues such as breach of contract, employment or labor disputes, intellectual property infringement and environmental matters. Specifically, the products we produce and sell may expose us to product liability claims if the products are proven to fail to comply with relevant laws and regulations, or if they cause or are alleged to cause illness or health problems. If any product liability complaint is dealt with improperly, we may be required to pay substantial damages. Any complaints, disputes and lawsuits filed by or against us, whether or not meritorious, could result in significant costs and diversion of resources, and could cause serious damage to our reputation.

In addition, complaints, disputes and lawsuits filed against us may result from improper supplies to us, while our suppliers may not compensate us for any costs incurred by us as a result of such complaints, disputes and lawsuits in a timely manner, or at all. In that case our business and financial condition may be negatively affected.

Fluctuations in exchange rates of Renminbi could result in foreign currency exchange losses.

The exchange rate of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the Chinese government and changes in China's and international political and economic conditions, as well as supply and demand in the local market. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and the Hong Kong dollar, U.S. dollar or other currencies in the future.

The [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against the U.S. dollar, Hong Kong dollar or any other foreign currency may result in a decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms. Remittances of Renminbi into and out of China are subject to strict restrictions. You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China or Hong Kong based on foreign laws against us, our Directors and senior management.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC and all of our business, assets and operations are located in China. In addition, the majority of our Directors, Supervisors and executive officers reside in China, and substantially all of the assets of such Directors, Supervisors and executive officers are located in China. As a result, it may not be possible for you to effect service of process within the United States or elsewhere outside China upon us or such Directors, Supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. While China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned which came into effect on August 1, 2008, pursuant to which a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court, there are still uncertainties as to whether the judgments in Hong Kong will be recognized under the arrangement. Moreover, China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong

Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in China or Hong Kong of a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Holders of our H Shares may be subject to income tax obligations in China.

Under the current tax laws and regulations in China, non-Chinese resident individuals and non-Chinese resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of our H Shares.

Non-Chinese resident individuals are required to pay individual income tax at a rate of 20% under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) for the interests, dividends and bonuses they obtain from China. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. Generally, in accordance with the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 Issued by the SAT (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》), domestic non foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, withhold individual income tax at the rate of 10%. When a tax rate of 10% is not applicable, the withholding company shall: (a) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (b) withhold such foreign individual income tax at the effective tax rate agreed on if the applicable tax rate is between 10% and 20%; or (c) withhold such foreign individual income tax at a rate of 20% if no taxation treaty is applicable.

For non Chinese-resident enterprises that were established under foreign laws with no actual management body in China but have establishments or premises in China, or for those which have no establishments or premises in China but whose income is derived from China, under the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of Shares are ordinarily subject to China enterprise income tax at a rate of 20%. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by Chinese Resident Enterprises on Dividends Paid to Overseas Non-Chinese Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT, such tax rate has been reduced to 10%, subject to a further reduction under special arrangements or applicable treaties between China and the jurisdiction of the residence of the relevant non Chinese-resident enterprise.

Despite the arrangements mentioned above, there are significant uncertainties as to the interpretation and application of applicable tax laws and regulations in China due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non Chinese-resident individual holders will be subject to China individual income tax at a flat rate of 20%.

If there is any change to applicable tax laws and regulations or in the interpretation or application of such laws and regulations, the value of your investment in our H Shares may be materially affected.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our Shares, and their liquidity and [REDACTED] may be volatile.

There was no [**REDACTED**] for our H Shares prior to the [**REDACTED**]. There can be no guarantee that a [**REDACTED**] market for our H Shares with adequate liquidity and [**REDACTED**] volume will develop and be sustained following the completion of the [**REDACTED**]. In addition, the [**REDACTED**] of our H Shares is expected to be fixed by agreement between the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and us, which may not be indicative of the [**REDACTED**] of our H Shares following the completion of the [**REDACTED**]. If an active [**REDACTED**] for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] price and liquidity of our H Shares may be materially and adversely affected.

The liquidity, [REDACTED] volume and [REDACTED] of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to investors.

The price at which our H Shares will trade after the [**REDACTED**] will be determined by the marketplace, which may be affected by various factors beyond our control, including:

- our financial performance;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, ourselves and the industry in which we operate;
- an assessment on the prospects for, and timing of, our future revenue and cost structures that independent research analysts may publish, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;

- general market sentiment regarding the rice, whole grain, bean and seed industry and the companies within the industry;
- changes in laws and regulations of China;
- our actual or perceived failure to compete effectively in the market; and
- political, economic, financial and social conditions.

In addition, the Hong Kong Stock Exchange has from time to time experienced significant volatility in [**REDACTED**] prices and volumes that have affected the market prices of securities of companies quoted on the Hong Kong Stock Exchange. As a result, investors in our H Shares may experience volatility in the [**REDACTED**] of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

Since there will be a gap of several days between the [REDACTED] and [REDACTED] of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during this period before the [REDACTED] of our H Shares begins.

The initial price of our Shares sold to the [**REDACTED**] in the [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, the Shares will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be several Business Days after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when [**REDACTED**] begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [**REDACTED**] begins.

We cannot assure you when, whether and in what form or size we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distributions of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable laws and regulations in China, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy.

Should the [REDACTED] be higher than the net tangible book value per Share, subject to pricing, you may experience an immediate dilution in the book value of the [REDACTED] you purchased in the [REDACTED] and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of the [**REDACTED**] may be higher than the net tangible book value per Share immediately prior to the [**REDACTED**]. As a result, you and other purchasers of the [**REDACTED**] in the [**REDACTED**] may experience an immediate dilution to a [**REDACTED**] net tangible asset value of HK$[**REDACTED**] per Share, based on the [**REDACTED**] of HK$[**REDACTED**] per Share.

We obtain some information from independent third parties engaged in conducting research and public sources. We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from such parties or sources.

This document, particularly the sections headed "Business" and "Industry Overview," contains information and statistics relating to the rice, whole grain, bean and seed industry. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such information sources. The information has not been independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any other party involved in the [**REDACTED**], and no representation is given as to its accuracy. Collection methods of such information may be flawed or defective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is presented or compiled by the same method or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the publication of this document, there has been press and media coverage regarding us and the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

In preparation of the [**REDACTED**], we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Given that (i) our core business operations are principally located, managed and conducted in the PRC under the supervision of executive Directors and senior management; and (ii) our executive Directors and senior management principally reside in the PRC, our Company considers that it would be more practical for the executive Directors and senior management of our Company to remain ordinarily resident in the PRC where our Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted us,] a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

(a) we have appointed Mr. Zou Hao and Ms. Chen Hua as the authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Hong Kong Stock Exchange. The Authorized Representatives possess valid travel documents and are able to renew such travel documents when they expire in order to visit Hong Kong, and accordingly, they will be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice;

(b) To facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details of our Directors (i.e. mobile phone number, office phone number, email address and fax number (as applicable)). In the event that any of our Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives, so that the Authorized Representatives would be able to contact all our Directors (including the proposed independent non-executive Directors) promptly at all times if and when the Hong

Kong Stock Exchange wishes to contact our Directors. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange; and

(c) we have appointed Gram Capital Limited as our compliance adviser (the "**Compliance Adviser**") in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of our Company with the Stock Exchange during the period from the [**REDACTED**] to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the [**REDACTED**]. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as an additional channel of communication with the Stock Exchange when the Authorized Representatives are not available.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our Company must appoint an individual, who, by virtue of her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles they played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Chen Hua ("**Ms. Chen**") as one of the joint company secretaries of our Company. Ms. Chen currently severs as the Board Secretary of the Company and has substantial experience in handling corporate, legal and regulatory compliance and administrative matters but personally does not process any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, our Company has appointed Ms. Oh Sim Yee ("**Ms. Oh**"), an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Ms. Chen for an initial period of three years from the [**REDACTED**] to enable Ms. Chen to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See "Directors, Supervisors and Senior Management" in this document for further biographical details of Ms. Chen and Ms. Oh. The following arrangements have been, or will be, put in place to assist Ms. Chen in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

(a) Ms. Chen will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

(b) Both Ms. Chen and Ms. Oh have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;

(c) Ms. Oh will assist Ms. Chen to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company;

(d) Ms. Oh will communicate regularly with Ms. Chen on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Oh will work closely with, and provide assistance to, Ms. Chen in the discharge of her duties as a company secretary, including organizing our Company's Board meetings and Shareholders' general meetings;

(e) Prior to the expiry of Ms. Chen's initial term of appointment as the company secretary of our Company, we will evaluate her experience in order to determine if she has acquired the qualifications required under Rules 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Chen's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules; and

(f) The Company has appointed Gram Capital Limited as its Compliance Adviser pursuant to Rules 3A.19 of and 19A.05 the Listing Rules which will act as the additional communication channel with the Stock Exchange (for a period commencing on the [**REDACTED**] and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the [**REDACTED**], or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to the Company (including Ms. Chen) as to the compliance with the Listing Rules and all other applicable laws and regulations.

Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted us,] a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when (i) Ms. Chen ceases to be assisted by a person with qualifications under Rules 3.28 and 8.17 of the Listing Rules, or (ii) if there are material breaches of the Listing Rules by us. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Chen, having had the benefit of Ms. Oh's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

[**REDACTED**]

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

For further information on our Directors and Supervisors, see "Directors, Supervisors and Senior Management" of this document.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Wang Bing (王兵)	Room 1302, Building 31 Cuijing Beili Tongzhou District Beijing, PRC	Chinese
Ms. Zhao Wenjun (趙文君)	Room 1302, Building 31 Cuijing Beili Tongzhou District Beijing, PRC	Chinese
Ms. Zhao Shulan (趙淑蘭)	Room 501, Unit 1, Building 12 Fuhuishanshui, Chenggong Street Wuchang Town, Harbin Heilongjiang Province, PRC	Chinese
Mr. Shu Minghe (舒明賀)	1-39-1, No. 268-4 Qingnian Street Shenhe District, Shenyang Liaoning Province, PRC	Chinese
Mr. Zou Hao (鄒昊)	Room 201, Unit 2, Building A5 North Ritan Road, Chaoyang District Beijing, PRC	Chinese
Non-executive Director		
Mr. Chang Bin (常斌)	1002, Floor 9, Building 19, Block 2 No. 6 East 4th Ring Road North Chaoyang District Beijing, PRC	Chinese
Independent non-executive Directors		
Mr. Shi Ketong (史克通)	Room 2603, Unit 2, Building 2 Block 2, Yuquan Xili Shijingshan District Beijing, PRC	Chinese

Mr. Yeung Chi Tat (楊志達)	Flat E, 60/F, Tower 3, Vision City 1 Yeung Uk Road Tsuen Wan, New Territories Hong Kong	Chinese (Hong Kong)
Mr. Lin Chen (林晨)	Room A, Floor 11 Block 1, Tam Towers No. 25 Sha Wan Drive Pok Fu Lam Southern District Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Mr. He Yang (何洋)	2-10-402, Lincuixili Chaoyang District Beijing, PRC	Chinese
Mr. Li Xiang (李響)	Room 2402, Building 1 Block 2, Longxing South 2nd Road Mentougou District Beijing, PRC	Chinese
Ms. Wang Zhijuan (王志娟)	Room 703, Unit 1, Building 4 Century Sunshine Dachang Hui Autonomous County Langfang, Hebei Province, PRC	Chinese

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors, [REDACTED] and [REDACTED]	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong

[**REDACTED**]

Auditor and Reporting Accountants	**KPMG** *Certified Public Accountants* 8th, Prince's Building 10 Chater Road Central Hong Kong
Legal Advisers to the Company	*As to Hong Kong and United States laws:* **Clifford Chance** 27/F, Jardine House One Connaught Place Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 12-14/F, China World Office 2 No. 1 Jianguomenwai Avenue Chaoyang District Beijing PRC
Legal Advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and United States laws:* **Paul Hastings** 22/F, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing PRC
Industry Consultant	**Frost & Sullivan (Beijing) Inc.** Unit 2401-02, Level 24 China World Office 2 1 Jianguomenwai Avenue Chaoyang District Beijing PRC

Compliance Adviser	**Gram Capital Limited** Room 1209 12/F, Nan Fung Tower 88 Connaught Road Central/ 173 Des Voeux Road Central Central Hong Kong

[**REDACTED**]

Registered Office	Dahuangdi Village Xinglongpu Town Xinmin City Shenyang Liaoning Province, PRC
Head Office and Principal Place of Business in the PRC	2/F, Building A Yisha Wenxin Plaza Chaoyang District Beijing, PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	www.shiyuedaotian.com (The information on the website does not form part of this document)
Joint Company Secretaries	**Ms. Chen Hua (陳華)** Room 502, Unit 11, Building 31, Zhongcang Community Tongzhou District Beijing, PRC **Ms. Oh Sim Yee (胡倩鋤)** *(ACG)* 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	**Mr. Zou Hao (鄒昊)** Room 201, Unit 2, Building A5, North Ritan Road Chaoyang District Beijing, PRC **Ms. Chen Hua (陳華)** Room 502, Unit 11, Building 31, Zhongcang Community Tongzhou District Beijing, PRC
Audit Committee	Mr. Yeung Chi Tat (楊志達) *(Chairman)* Mr. Chang Bin (常斌) Mr. Shi Ketong (史克通)

Remuneration Committee	Mr. Shi Ketong (史克通) *(Chairman)* Mr. Wang Bing (王兵) Mr. Yeung Chi Tat (楊志達)
Nomination Committee	Mr. Wang Bing (王兵) *(Chairman)* Mr. Shi Ketong (史克通) Mr. Lin Chen (林晨)

[**REDACTED**]

Principal Bankers	**Bank of China Shenyang Xinmin Branch** No. 119 Liaohe Street Xinmin City, Shenyang Liaoning Province, PRC
	Agricultural Bank of China Xinmin Branch Dahongqi Town Xinmin City, Shenyang Liaoning Province, PRC
	China Merchants Bank Harbin Hexing Branch No. 419-421 Xidazhi Street Nangang District, Harbin Heilongjiang Province, PRC

*The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the "**Frost & Sullivan Report**"). We engaged Frost & Sullivan to prepare an independent industry report in connection with the* [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors,* [**REDACTED**], [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**] *or any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy. The Directors confirm that, after making reasonable enquiries, there has been no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.*

I. OVERVIEW OF CHINA'S PANTRY STAPLE FOOD INDUSTRY

Pantry staple food refers to raw food materials, such as rice, whole grain, bean and seed, flour, dried food and corn, that are used for cooking. The demand for pantry staple food is relatively stable and therefore has no clear cyclical fluctuations.

According to the Frost & Sullivan Report, pantry staple food can be divided into several different categories in China, in particular:

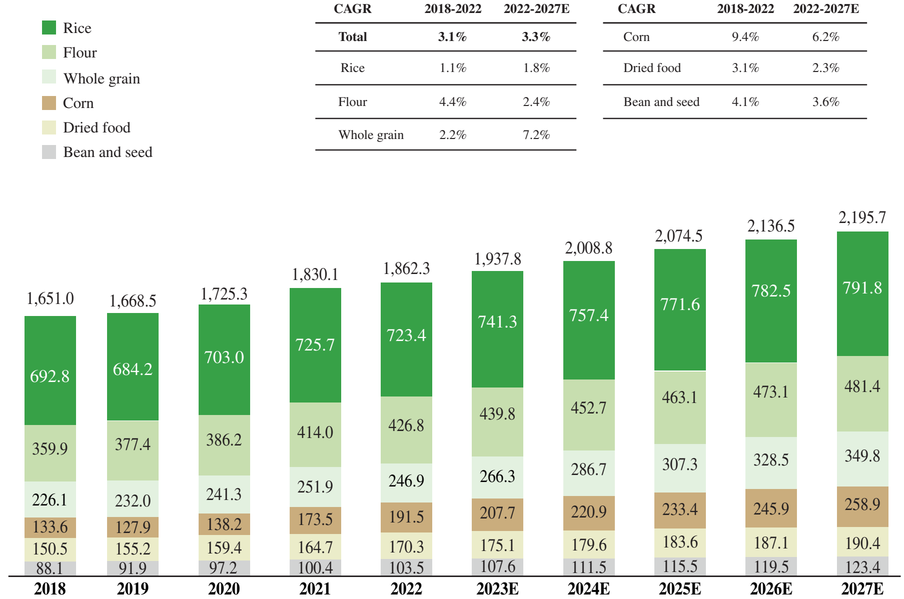
- The rice product segment is the largest of the pantry staple food market with a market size of RMB723.4 billion, accounting for 38.8% of the overall market size in 2022, and is expected to further reach RMB791.8 billion in 2027, representing a CAGR of 1.8% from 2022 to 2027;
- The flour product segment and corn product segment are the second and forth largest segments of the pantry staple food market with market sizes of RMB426.8 billion and RMB191.5 billion, respectively, accounting for 22.9% and 10.3% of the total pantry staple food market size in 2022, respectively, and are expected to further reach RMB481.4 billion and RMB258.9 billion, respectively, in 2027, representing a CAGR of 2.4% and 6.2% from 2022 to 2027, respectively;
- The whole grain product segment and the bean and seed product segment are the third and sixth largest of the pantry staple food market with a collective market size of RMB350.4 billion, accounting for 18.8% of the total pantry staple food market size in 2022, and is expected to further reach RMB473.2 billion in 2027, representing a CAGR of 6.2% from 2022 to 2027; and
- The dried food product segment is the fifth largest segment of the pantry staple food market with a market size of RMB170.3 billion, accounting for 9.1% of the total pantry staple food market size in 2022, and is expected to further reach RMB190.4 billion in 2027, representing a CAGR of 2.3% from 2022 to 2027.

Driven by increasing disposable income per capita and consumption upgrade, China's pantry staple food industry has grown steadily. According to Frost & Sullivan, in terms of revenue, the market size of the pantry staple food industry increased from RMB1,651.0 billion in 2018 to RMB1,862.3 billion in 2022, representing a CAGR of 3.1% from 2018 to 2022, and is expected to reach RMB2,195.7 billion by 2027, with a CAGR of 3.3% from 2022 to 2027. The increasing demand in the market has encouraged the growth of a larger variety of brands and products. In addition, the rapid growth of online channels, the emergence of modern retail channels, and the digital transformation of traditional channels, have significantly improved consumers' purchasing experiences and further diversified consumption scenarios, thereby promoting the continuous growth of China's pantry staple food industry.

Market Size of China's Pantry Staple Food Industry by Revenue, Breakdown by Product Category

Billion RMB, 2018-2027E

CAGR	2018-2022	2022-2027E
Total	**3.1%**	**3.3%**
Rice	1.1%	1.8%
Flour	4.4%	2.4%
Whole grain	2.2%	7.2%
Corn	9.4%	6.2%
Dried food	3.1%	2.3%
Bean and seed	4.1%	3.6%



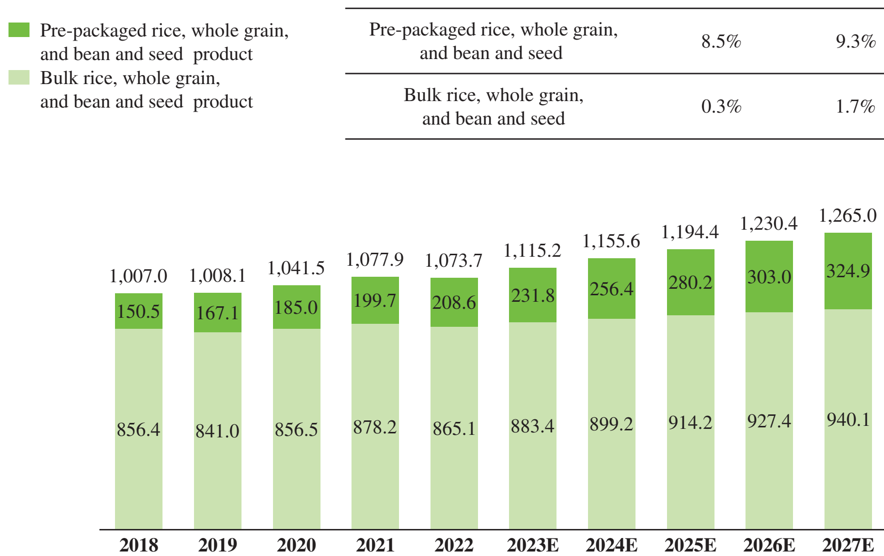
Source: Frost & Sullivan Report

Based on package specification, rice, whole grain, and bean and seed products can be further divided into pre-packaged products and bulk products. Pre-packaged products have become more popular among consumers, mainly due to their portability and better preservation of quality, freshness and taste. With the rising disposable income per capita, Chinese consumers have become more conscious of food quality. Therefore, more consumers tend to purchase pre-packaged rice, whole grain, and bean and seed products, boosting a much higher growth rate in the pre-packaged market. According to the Frost & Sullivan Report, in terms of revenue, the market size of the pre-packaged rice, whole grain, and bean and seed industry increased from RMB150.5 billion in 2018 to RMB208.6 billion in 2022, representing a CAGR of 8.5% from 2018 to 2022, and is expected to further reach RMB324.9 billion by 2027, with a CAGR of 9.3% from 2022 to 2027.

Market Size of China's Rice, Whole Grain, and Bean and Seed Industry by Revenue, Breakdown by Package Specification

Billion RMB, 2018-2027E

CAGR	2018-2022	2022-2027E
Total	**1.6%**	**3.3%**
Pre-packaged rice, whole grain, and bean and seed	8.5%	9.3%
Bulk rice, whole grain, and bean and seed	0.3%	1.7%



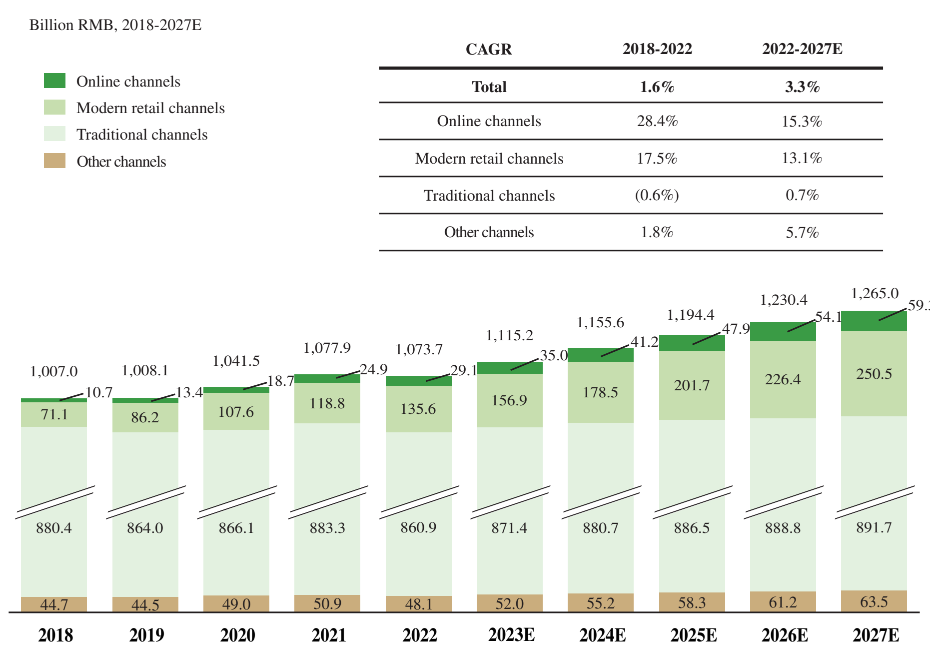
Source: Frost & Sullivan Report

Sales channels of China's rice, whole grain, and bean and seed industry can be divided into four major channels: online channels, modern retail channels, traditional channels and other channels.

- Online channels mainly include comprehensive e-commerce platforms, social e-commerce platforms, community group buying platforms and B2B e-commerce channels.
- Modern retail channels mainly include modern supermarkets, hypermarkets and chain convenience stores.
- Traditional channels include grain and oil wholesale shops and traditional farmers' markets.
- Other channels mainly refer to channels through which products are sold to direct customers such as catering companies.

Online channels and modern retail channels are more popular among consumers due to a more convenient purchasing experience and diversified products portfolio, and therefore have a higher growth rate compared to traditional channels.

Market Size of China's Rice, Whole Grain, and Bean and Seed Industry by Revenue, Breakdown by Sales Channels



CAGR	2018-2022	2022-2027E
Total	**1.6%**	**3.3%**
Online channels	28.4%	15.3%
Modern retail channels	17.5%	13.1%
Traditional channels	(0.6%)	0.7%
Other channels	1.8%	5.7%

Source: Frost & Sullivan Report

II. OVERVIEW OF CHINA'S PRE-PACKAGED RICE INDUSTRY

In China, rice refers to the edible commercial rice made from paddy, husked rice or semi-finished rice which has been processed to remove some or all of its skin layers. Along the value chain of the rice industry, the upstream mainly refers to the cultivation of paddy with major participants including paddy farmers or enterprises, the midstream mainly refers to rice production, transportation and storage; and the downstream mainly refers to the distribution and sale of rice.

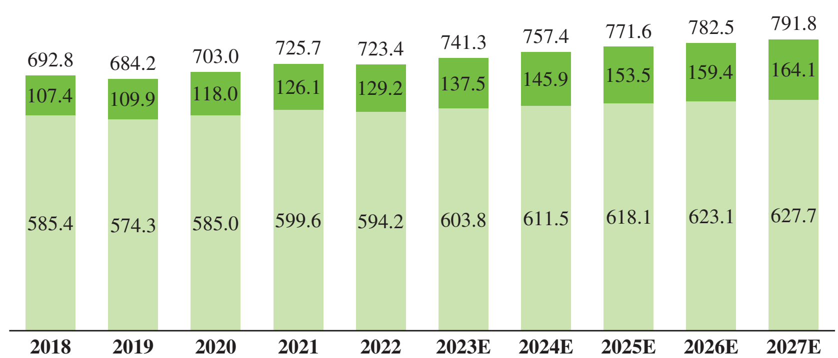
Based on package specification, rice products can be divided into pre-packaged products and bulk products. In particular, pre-packaged rice refers to products that have been packaged before being sold, which are suitable for direct sale, instead of being split for sale. The product weight of pre-packaged rice generally does not exceed 25kg. Pre-packaged rice products have become popular among consumers due to its portability and better preservation of quality, freshness and taste. According to the Frost & Sullivan Report, China's pre-packaged rice market is growing rapidly, with its market size increasing from RMB107.4 billion in 2018 to RMB129.2 billion in 2022, representing a CAGR of 4.7%, and is expected to reach RMB164.1 billion in 2027, representing a CAGR of 4.9% from 2022 to 2027.

Market Size of China's Rice Industry by Revenue, Breakdown by Package Specification

Billion RMB, 2018-2027E

Pre-packaged rice
Bulk rice

CAGR	2018-2022	2022-2027E
Total	**1.1%**	**1.8%**
Pre-packaged rice	4.7%	4.9%
Bulk rice	0.4%	1.1%

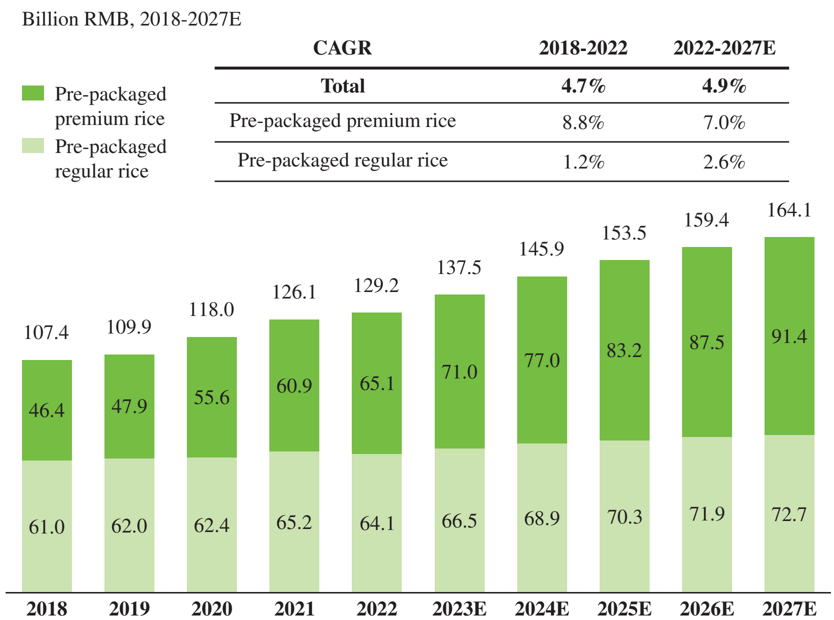


Source: Frost & Sullivan Report

Based on product positioning, the pre-packaged rice market can be further divided into pre-packaged premium rice and pre-packaged regular rice. Pre-packaged premium rice refers to pre-packaged rice with a broken kernel rate of no more than 15% and with a retail price that is at least 10% higher than the industry average. Compared to pre-packaged regular rice, pre-packaged premium rice usually has a more delicate taste and higher nutritional value attributable to its favorable growing environment, refined cultivation management and standardized manufacturing process. In 2022, the average retail price of pre-packaged premium rice was more than RMB7.4 per kg.

Benefiting from the increase in disposable income per capita, consumption upgrade and the inclination towards branded products, the demand for pre-packaged premium rice has been strong in recent years. As a result, the growth rate of pre-packaged premium rice market is significantly higher than China's overall pre-packaged rice market. In terms of revenue, the market size of China's pre-packaged premium rice market grew from RMB46.4 billion in 2018 to RMB65.1 billion in 2022, representing a CAGR of 8.8%, and is expected to reach RMB91.4 billion in 2027, representing a CAGR of 7.0% from 2022 to 2027. Such rapid growth trend of pre-packaged premium rice market has demonstrated that the premiumization trend in the rice industry is becoming increasingly prominent.

Market Size of China's Pre-packaged Rice Industry by Revenue, Breakdown by Product Positioning



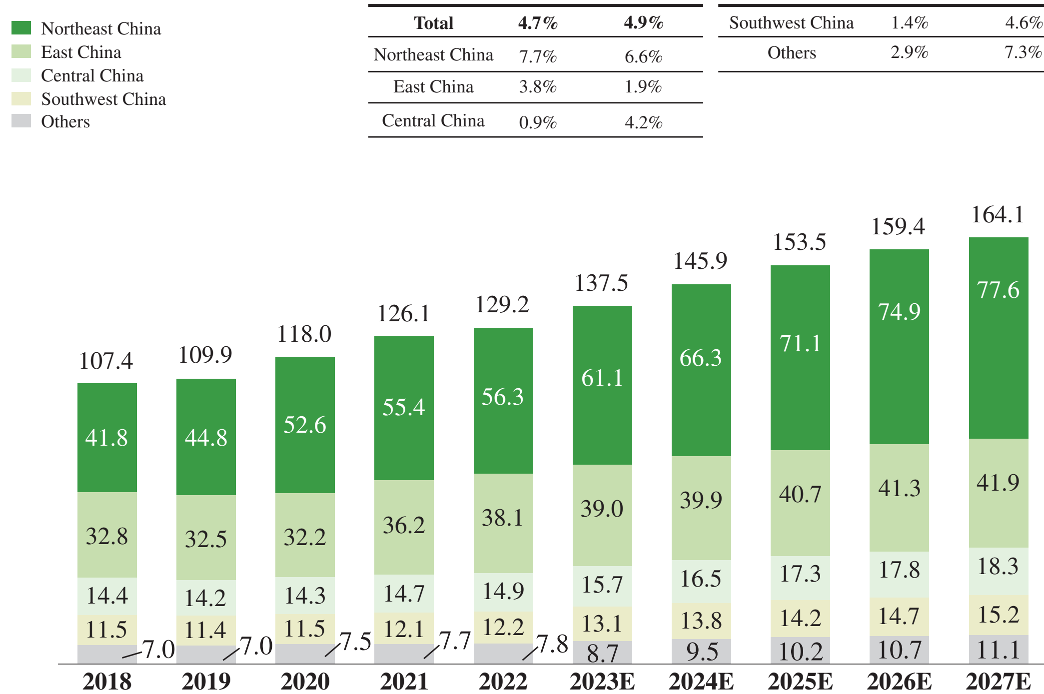
Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, the cultivation area of rice in China can be divided into five major regions: Northeast China, East China, Central China, Southwest China and others, which include South China, Northwest China and North China. Benefiting from the unique growing environment such as black soil and long cultivation period, the Northeast Rice products, which refer to rice originating from Northeast China, are generally perceived to have a superior taste, fresh rice fragrance, fuller grain, and a chewy and slightly sticky, soft and sweet texture. Thus, pre-packaged Northeast Rice has been enjoying a leading market position with strong growth momentum. In 2022, pre-packaged Northeast Rice ranked first in terms of revenue with a market share of 43.6%, and have maintained the highest revenue CAGR among all production regions during 2018 to 2022 according to Frost & Sullivan. In terms of revenue, the market size of the pre-packaged Northeast Rice market increased from RMB41.8 billion in 2018 to RMB56.3 billion in 2022, representing a CAGR of 7.7%, and is expected to reach RMB77.6 billion in 2027, representing a CAGR of 6.6% from 2022 to 2027. The market size of China's pre-packaged Northeast Rice retail market has grown significantly from RMB22.6 billion in 2018 to RMB36.2 billion in 2022 in terms of revenue at a CAGR of 12.5%, and is expected to grow at a 9.9% CAGR to reach RMB58.0 billion in 2027, demonstrating strong growth momentum within the retail market, which in term is attributable to its capability to meet consumers' upgrading demands and providing more convenient purchasing experiences.

Market Size of China's Pre-packaged Rice Industry by Revenue, Breakdown by Production Region

Billion RMB, 2018-2027E

CAGR	2018-2022	2022-2027E
Total	**4.7%**	**4.9%**
Northeast China	7.7%	6.6%
East China	3.8%	1.9%
Central China	0.9%	4.2%
Southwest China	1.4%	4.6%
Others	2.9%	7.3%



Source: Frost & Sullivan Report

III. OVERVIEW OF CHINA'S PRE-PACKAGED WHOLE GRAIN, AND BEAN AND SEED INDUSTRY

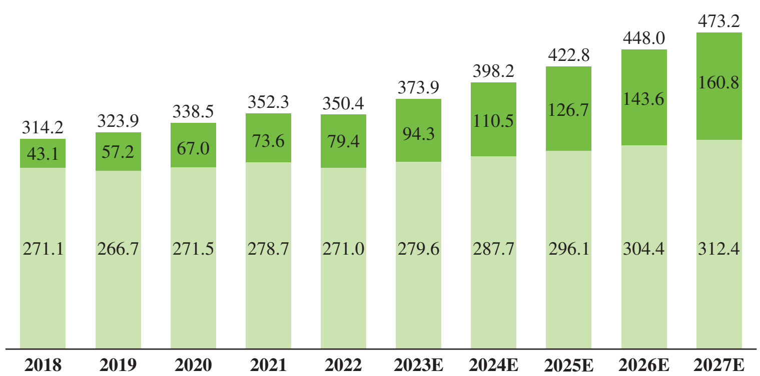
Whole grain products refer to processed products of other food grains, which usually refer to raw grains other than the paddy, wheat, corn and soybean. Other food grains can be categorized into two major categories, namely cereal (such as millet, sorghum, barley and buckwheat) and potato. Bean and seed products refer to seeds of leguminous herbs and edible oilseeds, including black beans, red beans, sesame and peanuts. Benefiting from increasingly advanced processing technologies that lead to lower loss rates and higher yield rates, the production output of whole grain, and bean and seed products has continued to grow in the last three years. Meanwhile, consumers' increasing health awareness and growing attention to a more balanced diet structure have further fueled the growth of the whole grain, and bean and seed industry.

Based on package specification, whole grain, bean and seed products can be divided into pre-packaged products and bulk products. Pre-packaged products refers to products that have been packaged before being sold, which are suitable for direct sale to end-consumers, and not suitable to be split for sale. Generally, the weight of pre-packaged whole grain, and bean and seed products does not exceed 25kg. The increasingly standardized production processes of pre-packaged whole grain, bean and seed products can better fulfill consumers' demands for food health and safety. In terms of revenue, the market size of the pre-packaged whole grain, and bean and seed industry grew from RMB43.1 billion in 2018 to RMB79.4 billion in 2022, representing a CAGR of 16.5%, and is expected to reach RMB160.8 billion in 2027, representing a CAGR of 15.2% from 2022 to 2027.

Market Size of China's Whole Grain, and Bean and Seed Industry by Revenue, Breakdown by Package Specification

Billion RMB, 2018-2027E

CAGR	2018-2022	2022-2027E
Total	**2.8%**	**6.2%**
Pre-packaged whole grain, and bean and seed products	16.5%	15.2%
Bulk whole grain, and bean and seed products	0.0%	2.9%



Source: Frost & Sullivan Report

IV. GROWTH DRIVERS AND TRENDS IN THE PRE-PACKAGED RICE, WHOLE GRAIN, AND BEAN AND SEED INDUSTRY

Increased popularity of pre-packaged products. Consumers' consumption habits have gradually changed from purchasing bulk products to pre-packaged products, due to their portability and better preservation of quality, freshness and taste. Therefore, pre-packaged rice, whole grain, bean and seed products have become more popular among consumers with diversified consumption scenarios. In terms of revenue, the market size of pre-packaged rice, whole grain, and bean and seed products compared to the market size of China's overall rice, whole grain, and bean and seed products increased from 14.9% in 2018 to 19.4% in 2022 and is expected to increase to 25.7% in 2027. In comparison to the corresponding 52.9% and 41.8% market share in Japan and South Korea in 2022, respectively, China's pre-packaged rice, whole grain, and bean and seed market entails large potentials and promises sustainable development.

According to the Frost & Sullivan Report, China's per capita disposable income is expected to increase from RMB36,883 in 2022 to RMB52,849 in 2027, with a CAGR of 7.5% from 2022 to 2027. Driven by the growing per capita disposable income and consumption upgrade, Chinese consumers are increasingly valuing nutrition, quality, freshness and taste when making purchasing decisions, and are willing to pay a higher price for quality products. The market size of pre-packaged premium rice market compared to the overall market size of pre-packaged rice market in term of revenue increased from 43.2% in 2018 to 50.4% in 2022 and is expected to reach 55.7% in 2027.

Inclination toward branded products. Brand loyalty and consumer stickiness are vital as the rice, whole grain, and bean and seed industry has undergone and is expected to continuously experience upgrades and developments including higher consumer needs for premium, healthy and fresh products, inclination towards branded products, and the evolving retail landscape. Enterprises with continuously updated and diversified product offerings are expected to excel, thus further driving the growth of brands and the completion of a virtuous cycle. China's pre-packaged rice, whole grain, and bean and seed market is highly fragmented, with the top five companies accounting for an 8.9% market share in terms of revenue in 2022; in comparison, the top five companies in the edible oil, flour and condiment markets accounted for approximately 60%, 21% and 15% market share, respectively.

Evolving sales channel landscape. Online and offline sales channels of the rice, whole grain, and bean and seed industry are expected to integrate, enabling enterprises with omnichannel sales network operation capabilities to achieve an economic moat. Compared to traditional channels, online channels and modern retail channels can provide more convenient purchasing experiences with more diversified products. Thus, such channels have become more popular among consumers, especially among the younger generation. In terms of revenue, the CAGRs from 2022 to 2027 of online channels and modern retail channels in the rice, whole grain, and bean and seed market are 15.3% and 13.1%, respectively, which far exceed the CAGR of 0.7% for traditional channels during the same period. In addition, along with the changes in consumers' consumption habits and the continuous emergence of new sales channels, various retailers are accelerating their digital transformation, continuously integrating their online and offline channels' operation to expand their consumer base.

Favorable regulatory policy. As agricultural industrialization continues to advance, the Chinese government has intensified its support for leading enterprises in the "agriculture, rural areas, and farmers" field. This support aims to enhance the competitiveness, influence, and driving force of agricultural brands, thereby accelerating rural revitalization and upgrading the comprehensive rural industrial chain. To further this goal, the Office of the Ministry of Agriculture and Rural Development has issued the "Agricultural Brand Boutique Cultivation Plan" for 2022-2025. The plan includes an investment of over RMB13 billion to support the National Modern Agricultural Industrial Park through Central Financial Awards, as well as more than RMB9 billion to support township-dominated industries. Leading enterprises are encouraged to collaborate with agricultural cooperatives, family farms, and individual farmers. Through the cultivation of agricultural brands, rural rejuvenation is promoted and the modernization of agricultural rural areas is accelerated. This helps to unleash the potentials of agricultural brands.

V. ENTRY BARRIERS FOR THE PRE-PACKAGED RICE, WHOLE GRAIN, AND BEAN AND SEED INDUSTRY

Brand awareness and product reputation. Brand awareness and product reputation have been among the decisive factors that affect consumers' choices. Consumers tend to trust and select rice, whole grain, and bean and seed products with high brand awareness due to their consumption needs for food safety and stable product qualities. This allows companies with high brand awareness to retain and expand their consumer base in the highly fragmented rice, whole grain, and bean and seed industry.

Sales network deployment and channel operation capabilities. Leading players who have entered sales network channels at opportune moment amid sales channel evolution have been able to establish first-mover advantage, accumulate industry insights, and achieve remarkable market penetration with high brand awareness. Leveraging these competitive edges, leading players are able to maintain good relationships with channel partners such as comprehensive e-commerce platforms, NKAs and LKAs, and obtain favorable cooperation terms. In comparison, new entrants to the industry will need to commit more time and resources in building sales networks.

Procurement capabilities in the renowned places of origin for grains. New entrants to the rice, whole grain, and bean and seed industry need to spend a large amount of time and effort to develop procurement capabilities, while leading companies in the industry have achieved first-mover advantages in establishing favorable collaboration with reputable suppliers with stable demand, superior credibility and favorable reputation. In addition, procurement teams with proficient expertise and local knowledge are better able to select and source raw materials to ensure a stable supply of premium rice, whole grain, and bean and seed products.

Supply chain management and control. Even with adequate capital resources, new entrants usually don't have adequate experience in supply chain management. For example, leading market participants are better positioned to achieve high operational efficiency and provide consumers with fresh and premium products via market-driven production planning, flexible supply chain management and effective warehousing and logistics systems. Such capabilities require deep market and consumer insights, robust relationships with suppliers and channel partners, and a wide talent pool with practical experience.

Talent pool. The development of the rice, whole grain, and bean and seed industry relies on a multi-dimensional integration of product development, sales, marketing, supply chain management, and customer service. Such professionalism and industry know-how require long-term commitment, talent pool cultivation, and time-tested expertise and insights accumulated over the years.

Requirement of capital investment. The sourcing of raw ingredients of premium rice, whole grain, and bean and seed products, processing technology and equipment, efficient transportation, and effective marketing all require a large amount of capital investment. Constructing advanced production bases, investing in advanced production equipment and establishing a complete logistics supply system involve a large amount of capital investments, and bolster a competitive strength for market players with capital advantages.

VI. COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, in terms of revenue in 2022, we ranked fifth among China's pantry staple food market with a market share of 0.2%. The following table shows China's top five pantry staple food companies in terms of revenue and each of their market share in 2022. From 2020 to 2022, the CAGR of our revenue was the highest among China's top five pantry staple food companies.

Ranking of the Top Five Players in China's Pantry Staple Food Market by Revenue (2022)

Ranking	Name	Market Share
1	Company A	2.3%
2	Company B	2.3%
3	Company C	1.7%
4	Company D	0.4%
5	Our Company	0.2%

According to the Frost & Sullivan Report, in terms of revenue in 2022, we ranked third in China's pre-packaged rice, whole grain, and bean and seed market with a market share of 2.0%. Moreover, from 2020 to 2022, the CAGR of our revenue was the highest among the top five companies in the market. The table below sets forth the details of the top five companies in China's pre-packaged rice, whole grain, and bean and seed market by revenue in 2022:

Ranking of the Top Five Players in China's Pre-packaged Rice, Whole Grain, and Bean and Seed Market by Revenue (2022)

Ranking	Name	Market Share
1	Company B	3.2%
2	Company C	2.7%
3	Our Company	2.0%
4	Company E	0.6%
5	Company F	0.4%

According to the Frost & Sullivan Report, in terms of revenue in 2022, we ranked third in China's pre-packaged rice market with a market share of 2.8%. Moreover, from 2020 to 2022, the CAGR of our revenue was the highest among the top five companies in the market. The table below sets forth the details of the top five companies in China's pre-packaged rice market by revenue in 2022:

Ranking of the Top Five Players in China's Pre-Packaged Rice Market by Revenue (2022)

Ranking	Name	Market Share
1	Company B	5.2%
2	Company C	4.2%
3	Our Company	2.8%
4	Company E	1.0%
5	Company F	0.6%

According to the Frost & Sullivan Report, in terms of revenue generated in 2022, we ranked first in China's pre-packaged premium rice market with a market share of 4.0%. Moreover, from 2020 to 2022, the CAGR of our revenue was the highest among the top five companies in the market. The table below sets forth the details of the top five companies in China's pre-packaged premium rice market by revenue in 2022:

Ranking of the Top Five Players in China's Pre-packaged Premium Rice Market by Revenue (2022)

Ranking	Name	Market Share
1	Our Company	4.0%
2	Company B	3.5%
3	Company C	2.7%
4	Company E	0.5%
5	Company F	0.4%

In terms of revenue generated from China's pre-packaged Northeast Rice retail market in 2022, we ranked first among all competitors with a market share of 9.7%. Moreover, from 2020 to 2022, the CAGR of our revenue was the highest among the top five companies in the market. The table below sets forth the details of the top five companies in the in China's pre-packaged Northeast Rice retail market by revenue in 2022:

Ranking of the Top Five Players in China's Pre-packaged Northeast Rice Retail Market by Revenue (2022)

Ranking	Name	Market Share
1	Our Company	9.7%
2	Company B	6.5%
3	Company C	3.7%
4	Company E	0.9%
5	Company F	0.7%

In terms of revenue in 2022, we ranked first in China's pre-packaged whole grain, and bean and seed market with a market share of 0.7%. The table below sets forth the details of the top five companies in China's pre-packaged whole grain, and bean and seed market by revenue in 2022:

Ranking of the Top Five Players in China's Pre-packaged Whole Grain, and Bean and Seed Market (2022)

Ranking	Name	Market Share
1	Our Company	0.7%
2	Company G	0.6%
3	Company H	0.3%
4	Company C	0.1%
5	Company I	0.1%

VII. CONSUMER SURVEY

In October 2022, we commissioned Frost & Sullivan to conduct online questionnaire surveys with 1,500 participants randomly selected across different cities in China to better understand product preferences and the market from a consumer's perspective (the "**Frost & Sullivan 2022 Survey**"). In the Frost & Sullivan 2022 Survey, questions were designed to first effectively filter in participants who have bought or plan to buy rice or whole grain, bean and seed products in the near future, then further narrowed down to consumers who have bought rice or whole grain, bean and seed products from targeted brands, which are believed to be representative consumers of rice, whole grain, bean and seed products. During the process of the consumer survey, Frost & Sullivan was responsible for designing questionnaires, processing data extracted from the interviewee responses and preparing the survey report. The online questionnaires designed by Frost & Sullivan were distributed and collected via open platforms in October 2022 with randomly selected participants to ensure a fair and wide coverage. Such progress was closely monitored to ensure the collection of sufficient effective samples.

Two types of interviewees were included in the Frost & Sullivan 2022 Survey, namely rice products consumers and whole grain, bean and seed products consumers. The actual sample size refers to consumers who have successfully completed all questions of the survey. The numbers of valid samples collected from the survey are set forth below:

- Rice products consumers: 1,500
- Whole grain, bean and seed products consumers: 793 (approximately 53% of consumers participated in two surveys)

There were a total of 1,500 participants, among whom 1,500 consumers participated in the rice product survey and 793 consumers participated in the whole grain, bean and seed product survey. All of the 1,500 participants are effective samples, which are sufficient for the purpose of better understanding the product preferences in the rice, whole grain, bean and seed market from a consumer's perspective and are comparable with similar surveys in other retail industries. Details of the Frost & Sullivan 2022 Survey are set forth below.

Consumer Preferences

- 89.3% and 74.9% of the respondents said they prefer to buy pre-packaged rice products and whole grain, bean and seed products, respectively.
- 62.6% of the respondents said they prefer to buy Northeast Rice because they prefer the texture and taste of rice originating from Northeast China.

Consumer Base

- 81.6% of our consumers were at or under the age of 40.
- 58.7% of our consumers were at or under the age of 35, making up the majority of Shiyue Daotian's consumer base.

Brand Awareness

- Shiyue Daotian and Firewood Courtyard are among the most recognized brands in China's rice, whole grain, bean and seed market, and Shiyue Daotian is the most recognized brand among those launched after 2010 for rice, whole grain, bean and seed products.

Consumer Satisfaction

- Shiyue Daotian is the most satisfying and popular brand in China's rice, whole grain, bean and seed market.
- Compared to other rice, whole grain, bean and seed brands, Shiyue Daotian received the highest proportion of consumers willing to recommend its products to their relatives and friends, and the highest proportion of consumers intending to repurchase. Its high brand popularity, good taste, and good product quality are the major factors considered by the respondents in choosing Shiyue Daotian.
- Shiyue Daotian's net promoter score for rice, whole grain, bean and seed products achieved 50.7, which is the highest among all rice, whole grain, bean and seed brands surveyed. Firewood Courtyard's net promoter score for rice, whole grain, bean and seed products is 47.5, which is the fifth highest among all rice, whole grain, bean and seed brands.

VIII. SOURCES OF INDUSTRY INFORMATION

We commissioned Frost & Sullivan to conduct a detailed analysis on China's rice, whole grain, and bean and seed industry and compile the Frost & Sullivan Report. During the preparation of the report, Frost & Sullivan conducted primary and secondary research and obtained knowledge, statistics, information and industry insights about the industry trends in China's rice, whole grain, and bean and seed market. Primary research involves discussing the status of the industry with leading industry participants and industry experts. Secondary research involves reviewing company reports, independent research reports and Frost & Sullivan's own research database. We incurred a total of [**REDACTED**] in fees and expenses in connection with the preparation of the Frost & Sullivan Report.

As part of the compilation of the Frost & Sullivan Report, we also commissioned Frost & Sullivan to conduct online questionnaire surveys with 1,500 consumers randomly selected in China to better understand the product preferences and market from a consumer's perspective.

Forecasts and assumptions included in the Frost & Sullivan Report are inherently uncertain because events or combinations of events cannot be foreseen, including, but not limited to, the actions of government, individuals, third parties and competitors. Thus, material discrepancies may be found between actual outcomes and what are forecasted in the report. Specific factors that might contribute to these discrepancies include, but are not limited to, the inherent risks, financial risks, labor risks, supply risks, regulatory risks and environmental issues in the China's rice, whole grain, and bean and seed industry and rice, whole grain, and bean and seed products retail market.

Unless otherwise indicated, all data and forecasts within this section are derived from the Frost & Sullivan Report. Our Directors confirm with prudence that there has been no adverse change in the overall market information that would subject the data to significant restriction, contradiction or negative effects since the date of the Frost & Sullivan Report.

OVERVIEW

We are a leading and rapidly growing pantry staple food company in China, dedicated to providing our consumers with pre-packaged premium rice, whole grain, bean, and dried food products.

Mr. Wang and Ms. Zhao, our Co-founders, entered into the pantry staple food industry in 2005 to engage in grain trading business. Over the years, we have, through our major subsidiaries Shenyang Xinchang and Wuchang Caiqiao, successfully developed a variety of brands, such as "Shiyue Daotian" and "Firewood Courtyard". Our robust supply chain management capabilities facilitate consistent and reliable delivery of premium products to meet the evolving diary preferences of Chinese consumers seeking healthier and more nutritious options.

In May 2018, our Company was established as a limited liability company under the PRC laws with a registered capital of RMB50,000,000. Upon our establishment, the Company was held by Mr. Wang, Mr. Shu Minghe, Ms. Zhao Shulan, Mr. Zhao Wenchen, Ms. Zhao Shujuan and Ms. Zhao as to 30.00%, 27.00%, 18.00%, 10.00%, 10.00% and 5.00%, respectively. See "Directors, Supervisors and Senior Management – Executive Directors" for the biographical background and relevant industry experience of Mr. Wang, Ms. Zhao, Mr. Shu Minghe and Ms. Zhao Shulan. On January 6, 2023, our Company was converted into a joint stock company. On February 28, 2023, our Company was renamed as Shiyue Daotian Group Co., Ltd. As of the Latest Practicable Date, our Company has an issued share capital of RMB101,474,565 with 101,474,565 Shares with a nominal value of RMB1.00 each.

OUR MILESTONES

The following is a summary of our Group's key business development milestones:

2005	Mr. Wang and Ms. Zhao entered into the pantry staple food industry to engage in the grain trading business
2011	We launched the brands of "Shiyue Daotian" and "Firewood Courtyard"
	We began cooperating with JD.com to sell products through e-commerce platforms
2013	We expanded our e-commerce platforms by initiating cooperation with Tmall
2015	The modernized production base of our Company in Wuchang was put into production to offer products such as Wuchang rice

2016	In addition to rice products, we further launched whole grain and bean products
2017	Our product lines extended to dried food products to satisfy consumers' diverse dietary needs
2018	We launched the brand of "Sunshine Family", providing Chinese families with value-for-money rice products
2021	We completed Series A Financing and Series B Financing
	The modernized production base of our Company in Shenyang Xinmin was put into production
2022	We were awarded "Hurun China Food Industry Top 100" by Hurun Research Institute
	We completed our overall layout of five production bases in the PRC, comprising Shenyang Xinmin, Wuchang, Songyuan, Tonghe and Aohan
2023	We completed Series C Financing

OUR MAJOR SUBSIDIARIES

We set forth below information about our subsidiaries that have made a material contribution to our operating results during the Track Record Period:

Shenyang Xinchang

Shenyang Xinchang was incorporated in the PRC on June 27, 2005 with limited liability. After several rounds of capital increase and share transfers, as of July 2019, the shareholding structure of Shenyang Xinchang was as follows:

Name of Shareholder	Percentage of Shareholding
Mr. Wang	30%
Mr. Shu Minghe	27%
Mr. Zhao Wenchen	20%
Ms. Zhao Shulan	18%
Ms. Zhao	5%
Total	100%

In August 2020, our Company subscribed for an increased registered capital of Shenyang Xinchang for a consideration of RMB10 million, which was equivalent to 33.33% of the registered capital of Shenyang Xinchang. Such consideration was fully paid up on August 10, 2020. Upon completion of such subscription, our Company was interested in 33.33% of the equity interests of Shenyang Xinchang. In the same month, our Company further acquired the equity interest in Shenyang Xinchang held by its other shareholders, namely Mr. Wang, Mr. Shu Minghe, Ms. Zhao Shulan, Mr. Zhao Wenchen and Ms. Zhao, at a total consideration of RMB20 million, which was determined after arms' length negotiations with reference to the amount of paid-up capital by the above other shareholders. Such consideration was fully settled on September 14, 2020. Upon completion of such equity transfers, Shenyang Xinchang became a wholly-owned subsidiary of our Company. In June 2022, the Company increased the registered capital of Shenyang Xinchang to RMB100 million. Shenyang Xinchang is primarily engaged in sourcing, processing and sales of pre-packaged rice, whole grain, bean, and dried food products.

Wuchang Caiqiao

Wuchang Caiqiao was incorporated in the PRC on December 6, 2013 with limited liability. After several rounds of capital increase and share transfers, as of August 2019, the shareholding structure of Wuchang Caiqiao was as follows:

Name of Shareholder	Percentage of Shareholding
Mr. Wang	30%
Mr. Shu Minghe	27%
Mr. Zhao Wenchen	20%
Ms. Zhao Shulan	18%
Ms. Zhao	5%
Total	100%

In August 2020, our Company subscribed for an increased registered capital of Wuchang Caiqiao for a consideration of RMB20 million, which was equivalent to 28.57% of the registered capital of Wuchang Caiqiao. Such consideration was settled on August 11, 2020. Upon completion of such subscription, our Company was interested in 28.57% of the equity interests of Wuchang Caiqiao. In August 2020, our Company further acquired the equity interest in Wuchang Caiqiao held by its other shareholders, namely Mr. Wang, Mr. Shu Minghe, Mr. Zhao Wenchen, Ms. Zhao Shulan and Ms. Zhao, for a total consideration of RMB50 million, which was determined after arms' length negotiations among the parties with reference to the amount of paid-up capital by the above other shareholders. Such consideration was fully settled on September 14, 2020. Upon completion of such equity transfers, Wuchang Caiqiao became a wholly-owned subsidiary of our Company. In May 2022, the Company increased the registered capital of Wuchang Caiqiao to RMB100 million. Wuchang Caiqiao is primarily engaged in sourcing, processing and sales of pre-packaged rice.

CORPORATE DEVELOPMENT

The following sets forth the corporate history and shareholding changes of our Company.

Capital Increase and Equity Transfers

Upon its incorporation on May 3, 2018, the shareholding structure of our Company was as follows:

Shareholder	Registered capital subscribed for	Percentage of shareholding
	(RMB)	
Mr. Wang	15,000,000	30%
Mr. Shu Minghe	13,500,000	27%
Ms. Zhao Shulan	9,000,000	18%
Mr. Zhao Wenchen	5,000,000	10%
Ms. Zhao Shujuan	5,000,000	10%
Ms. Zhao	2,500,000	5%
Total	**50,000,000**	**100%**

Since its establishment, our Company has undertaken a series of shareholding changes as detailed below:

Share transfer in July 2019

Pursuant to the entrusted shareholding agreement entered into by Mr. Zhao Wenchen and Ms. Zhao Shujuan in July 2019 (the "**2019 Entrusted Shareholding Agreement**"), Ms. Zhao Shujuan entrusted her brother, Mr. Zhao Wenchen, to hold 10% equity interest in the Company on her behalf for administration convenience. Accordingly, Ms. Zhao Shujuan transferred her 10% equity interest in the Company to Mr. Zhao Wenchen at nil consideration in July 2019. Upon the completion of the share transfer, the shareholding structure of our Company was as follows:

Shareholder	Registered capital subscribed for	Percentage of shareholding
	(RMB)	
Mr. Wang	15,000,000	30%
Mr. Shu Minghe	13,500,000	27%
Mr. Zhao Wenchen*Note*	10,000,000	20%
Ms. Zhao Shulan	9,000,000	18%
Ms. Zhao	2,500,000	5%
Total	**50,000,000**	**100%**

Note: Pursuant to the 2019 Entrusted Shareholding Agreement, Mr. Zhao Wenchen held 20% equity interest in the Company, among which, 10% equity interest was held by Mr. Zhao Wenchen on behalf of Ms. Zhao Shujuan. No fee was paid by Ms. Zhao Shujuan to Mr. Zhao Wenchen for the purpose of the entrusted arrangement under the 2019 Entrusted Shareholding Agreement.

Share transfers in August 2020

On August 3, 2020, in order to streamline the shareholding in our Company, the following Shareholders entered into a number of share transfer agreements to transfer their shares held in the Company, details of which were listed as follows:

Transferor	Transferee	Percentage of shareholding	Registered capital subscribed for	Originally paid-up capital by the transferor	Consideration
			(RMB)	*(RMB)*	*(RMB)*
Ms. Zhao	Mr. Wang	5%	2,500,000	2,000,000	2,000,000
Mr. Wang	Shiyue Zhongxin	2.45%	1,225,000	980,000	980,000
	Shiyue Daotian Enterprise Management[1]	0.02%	10,000	8,000	8,000
Mr. Shu Minghe	Shiyue Zhongxin	1.89%	945,000	756,000	756,000
	Shiyue Daotian Enterprise Management[1]	25.11%	12,555,000	10,044,000	10,044,000
Ms. Zhao Shulan	Shiyue Zhongxin	1.26%	630,000	504,000	504,000
	Shiyue Daotian Enterprise Management[1]	16.74%	8,370,000	6,696,000	6,696,000
Mr. Zhao Wenchen[2]	Shiyue Zhongxin	1.4%	700,000	560,000	560,000
	Shiyue Daotian Enterprise Management [1,2]	18.6%	9,300,000	7,440,000	7,440,000

Notes:

1. *Shiyue Daotian Enterprise Management was established in July 2020 and was then owned by Shiyue Jinfeng (as the general partner), Mr. Shu Minghe, Ms. Zhao Shulan, Mr. Zhao Wenchen, Ms. Zhao Shujuan and Ms. Zhao as to 0.03%, 41.52%, 19.99%, 15.38%, 15.38% and 7.69%, respectively.*

2. *Prior to the share transfer in August 2020, Mr. Zhao Wenchen held 20% equity interest in the Company, among which, 10% equity interest was held on behalf of Ms. Zhao Shujuan pursuant to the 2019 Entrusted Shareholding Agreement. In August 2020, the 2019 Entrusted Shareholding Agreement was terminated, and as instructed by Ms. Zhao Shujuan, Mr. Zhao Wenchen transferred 0.7% and 9.3% equity interest of the Company to Shiyue Zhongxin and Shiyue Daotian Enterprise Management, respectively. Meanwhile, Mr. Zhao Wenchen transferred his 10% equity interest held for his own benefit to Shiyue Zhongxin and Shiyue Daotian Enterprise Management as to 0.7% and 9.3%, respectively.*

The considerations for the share transfers above were determined after arms' length negotiations with reference to the amount of paid-up capital by the respective transferor and were fully settled on September 15, 2020. Upon completion of the above share transfers, our Company was owned by Shiyue Daotian Enterprise Management, Mr. Wang and Shiyue Zhongxin as to 60.47%, 32.53% and 7.00%, respectively.

Capital Increase in 2020 and the Series A Financing

On July 2, 2020, Mr. Wang and Shiyue Daotian Enterprise Management each subscribed for an increased registered capital of RMB6,995,699 and RMB13,004,301 in the Company at the consideration of RMB6,995,699 and RMB13,004,301, respectively, which were settled on September 15, 2020. On the even date, Generation Sigma HK Investment Limited ("**Generation Sigma HK**") entered into a capital increase agreement with our Company to purchase increased registered capital of the Company (the "**Series A-1 Financing**"). Immediately upon the completion of the above capital increases and Series A-1 Financing, the registered capital of our Company was increased from RMB50,000,000 to RMB78,203,125 and our Company was owned by Shiyue Daotian Enterprise Management, Mr. Wang, Generation Sigma HK and Shiyue Zhongxin as to approximately 55.29%, 29.74%, 10.49% and 4.48%, respectively.

On March 12, 2021, Generation Sigma HK entered into another capital increase agreement with our Company to purchase increased registered capital of the Company (the "**Series A-2 Financing**"). Immediately upon completion of the Series A-2 Financing, the registered capital of our Company was increased from RMB78,203,125 to RMB82,821,420 and our Company was owned by Shiyue Daotian Enterprise Management, Mr. Wang, Generation Sigma HK and Shiyue Zhongxin as to approximately 52.21%, 28.09%, 15.48% and 4.23%, respectively. See "History, Development and Corporate Structure – Pre-[**REDACTED**] Investments" for further details.

Series B Financing and Capital Increase in 2021

On April 12, 2021 and April 23, 2021, our Company entered into several capital increase agreements and share transfer agreements with Shiyue Daotian Enterprise Management, Shiyue Zhongxin, Generation Sigma HK, YF Mega Media (HK) Limited ("**YF Mega Media (HK)**"), SCC Growth VI Holdco Y, Ltd. ("**Sequoia Capital China Growth**"), Shenzhen Sequoia Hanchen Equity Investment Partnership (Limited Partnership) (深圳市紅杉瀚辰股權投資合夥企業(有限合夥)) ("**Sequoia Hanchen**"), CMC October Holdings Limited ("**CMC October**") and Ningbo Meishan Free Trade Port Zone Ceran Investment Management Partnership (Limited Partnership) (寧波梅山保税港區策然投資管理合夥企業(有限合夥)) ("**Ceran Investment**"), pursuant to which (i) each of Generation Sigma HK, YF Mega Media (HK), Sequoia Capital China Growth, Sequoia Hanchen and Ceran Investment subscribed for certain amount of increased registered capital of the Company; (ii) each of YF Mega Media (HK) and CMC October acquired a 1.85% equity interest of the Company (equivalent to registered capital of RMB1,840,476 in the Company) from Shiyue Daotian Enterprise Management, respectively; and (iii) Shiyue Zhongxin subscribed for an increased registered capital of RMB6,961,155 of the Company for a consideration in the same amount of the Company's registered capital. Such capital increase by Shiyue Zhongxin was settled on

September 8, 2022. Immediately upon the completion of the above Series B Financing and capital increases, the registered capital of our Company was increased from RMB82,821,420 to RMB99,445,074 and our Company was owned by Shiyue Daotian Enterprise Management, Mr. Wang, Generation Sigma HK, Shiyue Zhongxin, YF Mega Media (HK), Sequoia Capital China Growth, Sequoia Hanchen, CMC October and Ceran Investment as to approximately 39.78%, 23.39%, 14.74%, 10.52%, 3.47%, 2.89%, 2.89%, 1.85% and 0.46%, respectively. See "History, Development and Corporate Structure – Pre-[**REDACTED**] Investments" for further details.

Share transfers in October 2021

Pursuant to a share transfer agreement in October 2021, to streamline the shareholding in our Company, Ms. Zhao acquired approximately 1.30% equity interest of the Company from Mr. Wang at a consideration equivalent to the registered capital of RMB1,288,334 of the Company. Such acquisition was fully settled on November 24, 2021. Upon completion of the share transfer, the shareholding structure of our Company was as follows:

Shareholder	**Registered capital subscribed for**	**Percentage of shareholding**
	(RMB)	
Shiyue Daotian Enterprise Management	39,558,349	39.78%
Mr. Wang	21,972,365	22.10%
Generation Sigma HK	14,661,896	14.74%
Shiyue Zhongxin	10,461,155	10.52%
YF Mega Media (HK)	3,450,892	3.47%
Sequoia Capital China Growth	2,875,744	2.89%
Sequoia Hanchen	2,875,744	2.89%
CMC October	1,840,476	1.85%
Ms. Zhao	1,288,334	1.30%
Ceran Investment	460,119	0.46%
Total	**99,445,074**	**100%**

Share transfers in November 2021

Pursuant to the entrusted shareholding agreement (the "**2020 Entrusted Shareholding Agreement**") entered into by Ms. Zhao and Ms. Zhao Shulan in August 2020, Ms. Zhao Shulan entrusted her sister, Ms. Zhao, to hold RMB3,325,000 partnership interest in Shiyue Daotian Enterprise Management on her behalf for administrative convenience. Accordingly, the 7.69% partnership interests held by Ms. Zhao in Shiyue Daotian Enterprise Management was held on behalf of Ms. Zhao Shulan. No fee was paid by Ms. Zhao Shulan to Ms. Zhao for the purpose of the entrusted arrangement under the 2020 Entrusted Shareholding Agreement. In light of the above, Ms. Zhao transferred her 1.30% equity interest in the Company and RMB2,036,666 partnership interest in Shiyue Daotian Enterprise Management[1] to Ms. Zhao Shulan in November 2021 and December 2021, respectively, for nil consideration. The total amount of the above 1.30% equity interest in the Company and the RMB2,036,666 partnership interest in Shiyue Daotian Enterprise Management is equivalent to Ms. Zhao Shulan's entrusted partnership interest in Shiyue Daotian Enterprise Management under the 2020 Entrusted Shareholding Agreement.

Accordingly, the entrusted shareholding arrangement under the 2020 Entrusted Shareholding Agreement was terminated. Upon completion of the above share transfer, the shareholding structure of our Company was as follows:

Shareholder	Registered capital subscribed for	Percentage of shareholding
	(RMB)	
Shiyue Daotian Enterprise Management[1]	39,558,349	39.78%
Mr. Wang	21,972,365	22.10%
Generation Sigma HK	14,661,896	14.74%
Shiyue Zhongxin	10,461,155	10.52%
YF Mega Media (HK)	3,450,892	3.47%
Sequoia Capital China Growth	2,875,744	2.89%
Sequoia Hanchen	2,875,744	2.89%
CMC October	1,840,476	1.85%
Ms. Zhao Shulan	1,288,334	1.30%
Ceran Investment	460,119	0.46%
Total	**99,445,074**	**100%**

Note:

1. *Upon completion of the above transfer of the partnership interest between Ms. Zhao and Ms. Zhao Shulan, Shiyue Daotian Enterprise Management was held by Shiyue Jinfeng, Mr. Shu Minghe, Ms. Zhao Shulan, Mr. Zhao Wenchen and Ms. Zhao Shujuan as to 0.04%, 43.68%, 24.26%, 16.02% and 16.02%.*

As advised by our PRC Legal Adviser, the above entrusted arrangements, including the 2019 Entrusted Shareholding Agreement and the 2020 Entrusted Shareholding Agreement, are in compliance with the relevant PRC laws and regulations.

Share transfers in 2022 and Series C Financing

On October 12, 2022, MIC Capital Management 81 RSC Ltd ("**MIC**") entered into a share transfer agreement with Shiyue Daotian Enterprise Management and Generation Sigma HK respectively, pursuant to which MIC acquired 0.96% and 2% equity interest of our Company (equivalent to the registered capital of RMB954,673 and RMB1,988,901 respectively) from Shiyue Daotian Enterprise Management and Generation Sigma HK, with considerations of RMB120,960,037 and RMB251,999,939 in equivalent U.S. dollars.

On the same date, our Company pursued its Series C Financing. Pursuant to a capital increase agreement entered into among the Controlling Shareholders Group, Ms. Zhao Shulan, Mr. Shu Minghe, Mr. Zhao Wenchen, Ms. Zhao Shujuan and MIC on October 12, 2022, MIC subscribed for an increased registered capital of the Company. Immediately upon completion of the above share transfers and Series C Financing, the registered capital of our Company was increased from RMB99,445,074 to RMB101,474,565 and our Company was owned by Shiyue Daotian Enterprise Management, Mr. Wang, Generation Sigma HK, Shiyue Zhongxin, MIC, YF Mega Media (HK), Sequoia Capital China Growth, Sequoia Hanchen, CMC October, Ms. Zhao Shulan and Ceran Investment as to approximately 38.04%, 21.65%, 12.49%, 10.31%, 4.90%, 3.40%, 2.83%, 2.83%, 1.81%, 1.27% and 0.45% respectively. See "History, Development and Corporate Structure – Pre-[**REDACTED**] Investments" for further details.

Conversion into a Joint Stock Limited Company

On January 6, 2023, our Company was converted from a limited liability company into a joint stock limited company, and our Company was renamed as Shiyue Daotian Group Co., Ltd. on February 28, 2023.

Share Split upon [REDACTED]

As approved by our Shareholders' general meeting held on March 30, 2023, immediately upon [**REDACTED**], the ordinary Shares of the Company will be split on a one-for-ten basis, and the nominal value of the Shares will be changed from RMB1.00 each to RMB0.10 each. Immediately after such Share Split, the registered share capital of the Company will be RMB101,474,565 with 1,014,745,650 Shares with a nominal value of RMB0.10 each.

PRE-[REDACTED] INVESTMENTS

The Company engaged in three rounds of Pre-[**REDACTED**] Investments from 2020 to 2022, details of which are set out below:

Name of Pre-[REDACTED] Investors	Date of Agreement	Date of Settlement of Consideration	Amount of Registered Capital Subscribed for	Consideration	Cost Per Share[1]	Round of Pre-[REDACTED] Investment	Discount/ (Premium) to the [REDACTED][2]	Shareholding in the Company upon [REDACTED] (assuming the [REDACTED] is not exercised)
			(in RMB)	*(in RMB)*	*(in RMB)*			
Generation Sigma HK	July 2, 2020	September 23, 2020	8,203,125	150,000,000	1.83	Series A-1	[REDACTED]%	
	March 12, 2021[3]	March 26, 2021	4,618,295	150,000,000	3.25	Series A-2	[REDACTED]%	[REDACTED]%
	April 12, 2021	May 31, 2021	1,840,476	200,000,000	10.87	Series B	[REDACTED]%	
YF Mega Media (HK)	April 23, 2021	May 24, 2021	1,610,416	175,000,000	10.87	Series B	[REDACTED]%	[REDACTED]%
	April 23, 2021	May 24, 2021	1,840,476	200,000,000	10.87	Series B	[REDACTED]%	
Sequoia Capital China Growth	April 12, 2021	April 21, 2021	2,300,595	250,000,000	10.87	Series B	[REDACTED]%	[REDACTED]%
	April 23, 2021	May 21, 2021	575,149	62,500,000	10.87	Series B	[REDACTED]%	
Sequoia Hanchen	April 12, 2021	April 21, 2021	2,300,595	250,000,000	10.87	Series B	[REDACTED]%	[REDACTED]%
	April 23, 2021	May 19, 2021	575,149	62,500,000	10.87	Series B	[REDACTED]%	
CMC October	April 23, 2021	May 21, 2021	1,840,476	200,000,000	10.87	Series B	[REDACTED]%	[REDACTED]%
Ceran Investment	April 12, 2021	July 1, 2021	460,119	50,000,000	10.87	Series B	[REDACTED]%	[REDACTED]%
MIC	October 12, 2022	November 25, 2022	2,943,574	372,959,976	12.67	Series C	[REDACTED]%	[REDACTED]%
	October 12, 2022	February 13, 2023	2,029,491	285,714,243	14.08	Series C	[REDACTED]%	

Notes:

(1) Calculated based on the consideration paid and the number of Shares subscribed after the Share Split. On March 30, 2023, our Shareholder's general meeting approved to split the Shares in the ratio of 1:10 and the nominal value of the Shares is split from RMB1.00 per share to RMB0.10 per share with effect on [**REDACTED**]. After the Share Split, the total share capital of the Company will become 1,014,745,650 shares.

(2) Calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per H Share (being the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**]).

(3) Pursuant to the Series A-1 shareholders' agreement dated July 2, 2020, Generation Sigma HK is entitled to subscribe for the registered capital of the Company in not more than RMB150 million in equivalent U.S. dollars within 12 months from the closing date of the Series A-1 Financing. Accordingly, Generation Sigma HK subsribed for an increased registered capital of RMB4,618,295 in the Company under the Series A-2 Financing.

Principal Terms of the Pre-[REDACTED] Investments and Pre-[REDACTED] Investors' Rights

The following table summarizes the key terms of the Pre-[**REDACTED**] Investments:

	Series A	Series B	Series C
Amount of registered capital increased *(RMB)*	12,821,420	9,662,499	2,029,491
Amount of consideration paid for the increased registered capital *(RMB)*	300,000,000	1,050,000,000	285,714,243
Date of agreement(s)	July 2, 2020 and March 12, 2021	April 12 and April 23, 2021	October 12, 2022
Basis of determination of the consideration	The consideration for each round of the Pre-[**REDACTED**] Investments was determined based on arm's length negotiation amongst the respective Pre-[**REDACTED**] Investors and our Group after taking into consideration of the timing of the investments and the status of our business operations.		
Lock-up Period	Pursuant to the applicable PRC law, within the 12 months following the [**REDACTED**], all existing Shareholders (including the Pre-[**REDACTED**] Investors) cannot dispose of any of the Shares held by them.		
Use of [**REDACTED**] from the Pre-[**REDACTED**] Investments	We utilized the [**REDACTED**] from the Pre-[**REDACTED**] Investments for the principal business of our Group, including but not limited to the growth and expansion of our Group's business within the PRC and the general working capital purposes. As of the Latest Practicable Date, approximately 91% of the funds raised from the Pre-[**REDACTED**] Investments have been utilized.		

Special Rights of the Pre-[**REDACTED**] Investors	The Pre-[**REDACTED**] Investors were granted customary special rights, including but not limited to right of Director nomination, right of first refusal, right of co-sale, anti-dilution rights, dividend rights, liquidation rights, divestment rights, drag-along right and information rights. Pursuant to the agreements entered into by our Company with our Pre-[**REDACTED**] Investors dated February 28, 2023, the divestment rights, right of Director nomination, right of convening the Shareholders' meeting and/or Board meeting, and right of approval for significant matters of the Company have been terminated upon the submission of [**REDACTED**] to the Stock Exchange on [**REDACTED**] and shall resume to be exercisable automatically upon the earliest of (i) the withdrawal of the [**REDACTED**] to the Stock Exchange, SFC or CSRC (if applicable) by our Company; (ii) the Stock Exchange, SFC or CSRC (if applicable) rejecting the Company's [**REDACTED**]; or (iii) the Company fails to complete the [**REDACTED**] within 20 months after the submission of the [**REDACTED**] to the Stock Exchange. All the other special rights shall cease to be effective and be discontinued upon [**REDACTED**].
Strategic Benefits from Pre-[REDACTED] Investments	At the time of the Pre-[**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the additional capital provided by the Pre-[**REDACTED**] Investors' investments in our Company, as well as the Pre-[**REDACTED**] Investors' knowledge and experience. Our Directors were also of the view that our Company could benefit from the Pre-[**REDACTED**] Investors' commitment to our Company as their investment demonstrates their confidence in the operations of our Group and serves as an endorsement of Company's performance, strengths and prospects.

Public Float

Immediately upon completion of the [**REDACTED**] (assuming the Share Split and Full Circulation Application of the Company are completed and the [**REDACTED**] is not execised), the Company will have 811,852,700 Domestic [**REDACTED**] Shares and [**REDACTED**] H Shares, among which:

(i) the 811,852,700 Domestic [**REDACTED**] Shares (representing approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised), or approximately [**REDACTED**]% of our total issued Shares (assuming the [**REDACTED**] is exercised in full)) will not be considered as part of the public float as such Domestic [**REDACTED**] Shares will not be converted into H Shares; and

(ii) among the [**REDACTED**] H Shares, the 202,892,950 H Shares to be converted from Domestic [**REDACTED**] Shares pursuant to the Full Circulation Application of the Company and [**REDACTED**] on the Stock Exchange (representing approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised), or approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is exercised in full), and held by Generation Sigma HK, YF Mega Media (HK), Sequoia Capital China Growth, Sequoia Hanchen, CMC October, Ceran Investment and MIC, will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [**REDACTED**] as these entities are not core connected persons of our Company upon [**REDACTED**] nor are they accustomed to take instructions from the Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by the Company's core connected persons.

In light of the above, the public float of the Company will be [**REDACTED**]% (assuming the [**REDACTED**] is not exercised) or [**REDACTED**]% (assuming the [**REDACTED**] is exercised in full) upon [**REDACTED**].

Information about the Pre-[REDACTED] Investors

Generation Sigma HK

Generation Sigma HK is a limited liability company established in Hong Kong on April 28, 2020. Its principal business is making equity investments. Mr. Chang Bin (常斌), our non-executive Director, serves as its director. Generation Sigma HK is ultimately controlled by GenBridge Capital Fund I, L.P., which is a private equity investment fund managed by GenBridge Capital (啓承資本). GenBridge Capital (啓承資本) was founded in 2016 and is a professional investment manager dedicating to investing in the Chinese consumer sectors with a focus on the new generation of brands, retail and services. Generation Sigma HK constitutes a connected person of the Company (but not a core connected person of the Company).

YF Mega Media (HK)

YF Mega Media (HK) is a limited company established in Hong Kong on April 19, 2021. Its principal business is equity investment. It is controlled by Mega Media Limited (BVI), a limited liability company established under the laws of the British Virgin Islands. Mega Media Limited (BVI) is wholly owned by Yunfeng Fund IV, LP., a limited liability partnership formed under the laws of the Cayman Islands, which is ultimately managed by Yunfeng Capital Limited, which is in turn controlled by Mr. Yu Feng. Yunfeng Fund IV, L.P. is an investment fund which principally focuses on investment in the emerging industries, including internet and new consumption, technology and business services, and healthcare. Since Mr. Yu Feng resigned as a director of the Company within 12 months prior to the Listing Date, Mr. Yu Feng constitutes a connected person ofthe Company. As such, YF Mega Media (HK) constitutes a connected person of the Company (but not a core connected person of the Company).

Sequoia Capital China Growth

Sequoia Capital China Growth is an exempted company with limited liability incorporated under the laws of the Cayman Islands. The sole shareholder of Sequoia Capital China Growth is Sequoia Capital China Growth Fund VI, L.P. ("**Sequoia Capital China GVI Fund**"). Sequoia Capital China GVI Fund is an investment fund whose primary purpose is to make equity investments in private companies, whose general partner is SC China Growth VI Management, L.P. The general partner of SC China Growth VI Management, L.P. is SC China Holding Limited, whose sole shareholder is SNP China Enterprises Limited. The sole shareholder of SNP China Enterprises Limited is Mr. Neil Nanpeng Shen. Mr. Neil Nanpeng Shen resigned as a director of the Company within 12 months prior to the Listing Date.

Sequoia Hanchen

Sequoia Hanchen is a limited partnership established in the PRC. Its principal business is to make equity investments in private companies. Its general partner is Shenzhen Sequoia An Tai Equity Investment Partnership (Limited Partnership) (深圳紅杉安泰股權投資合夥企業(有限合夥)) ("**Sequoia An Tai**"), which is ultimately beneficially owned by ZHOU Kui (周逵). Its sole limited partner is Shenzhen Sequoia Yuechen Investment Partnership (Limited Partnership) (深圳紅杉悅辰投資合夥企業(有限合夥)) holding approximately 99.9929% of its partnership interests. Sequoia An Tai is controlled by its general partner, Shenzhen Sequoia Huan Yu Investment Management Co., Ltd. (深圳市紅杉桓宇投資諮詢有限公司), which is owned by ZHOU Kui (周逵) and ZHANG Lianqing (張聯慶) as to 70% and 30%, respectively. Each of Sequoia Hanchen, its general partner and limited partner is an Independent Third Party.

CMC October

CMC October is a limited liability company established in Hong Kong on April 16, 2021. Its principal business is making equity investment. Its director is Gao Han (高函). Its shareholder CMC October (Cayman) Holdings Limited is a limited liability company established under the laws of the Cayman Islands. The ultimate beneficial owner of CMC October is Mr. Li Ruigang (黎瑞剛).

Ceran Investment

Ceran Investment is a limited partnership established under the laws of the PRC on April 8, 2018. Its principal business is to make equity investments in industrial companies and conduct investment management and consulting. The general partner of Ceran Investment is Guo Ruyi (郭如意). Its sole limited partner is Hu Wenqin (胡文欽) holding 99.00% of its partnership interest. Each of Ceran Investment, its general partner and its limited partner is Independent Third Party.

MIC

MIC is a restricted scope company established under the laws of United Arab Emirates on November 4, 2020. Its principal business is investment holding. It is an indirect wholly-owned subsidiary of Mubadala Investment Company PJSC, whose ultimate beneficial owner is the Government of Abu Dhabi.

To the best knowledge of the Company and the Directors, save as disclosed in this document, each of the Pre-[**REDACTED**] Investors is an Independent Third Party.

Major Acquisitions, Disposals and Mergers

During the Tracking Record Period, save as disclosed in the subsection headed "- Our major subsidiaries", we have not made any acquisitions, disposals or mergers that we consider to be material to us.

Compliance with Interim Guidance and Guidance Letters

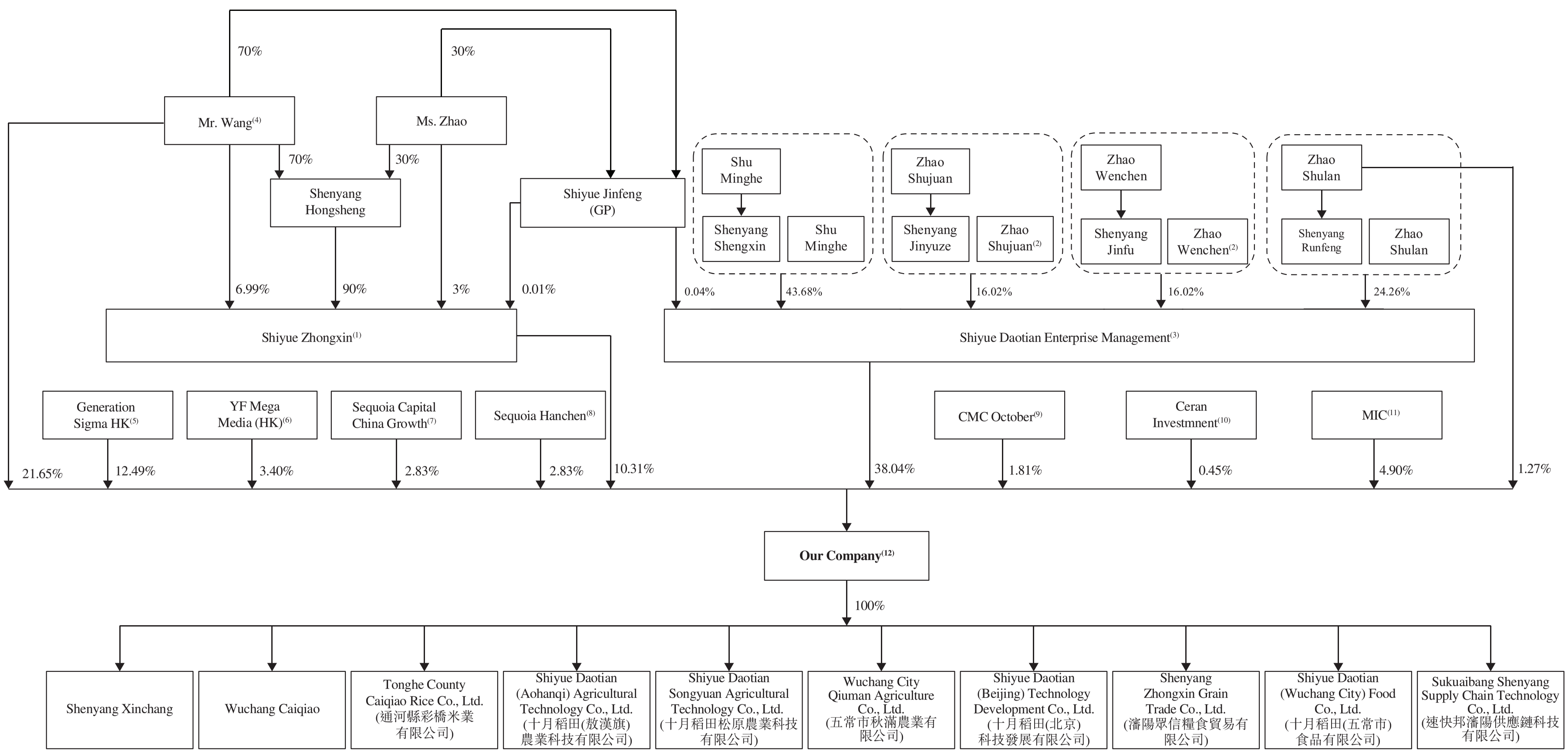
On the basis that (i) the considerations for the Pre-[**REDACTED**] Investments were settled more than 28 clear days before the date of our first submission of the [**REDACTED**] to the Stock Exchange in relation to the [**REDACTED**], (ii) the divestment rights granted to the Pre-[**REDACTED**] Investors have been automatically terminated when the Company filed its [**REDACTED**] on the Stock Exchange, and (iii) all the other special rights granted to the Pre-[**REDACTED**] Investors will be terminated upon the [**REDACTED**], the Joint Sponsors are of the view that the Pre-[**REDACTED**] Investments are in compliance with Guidance Letters HKEX-GL29-12 and HKEX-GL43-12 issued by the Stock Exchange. The Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017 is not applicable to the Pre-[**REDACTED**] Investments as no convertible instrument was issued.

PRC Regulatory Requirements

Our PRC Legal Adviser has confirmed that we have legally and properly completed, settled, and obtained the requisite legal approvals and completed requisite governmental registrations with relevant governmental authorities in the PRC with respect to all the aforesaid capital increases and equity transfers in all material respects.

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets out the shareholding and corporate structure immediately prior to the completion of the [**REDACTED**]:



Notes:

(1) The general partner of Shiyue Zhongxin is Shiyue Jinfeng, which is owned by Mr. Wang and Ms. Zhao as to 70% and 30%, respectively. Shiyue Zhongxin is owned by Mr. Wang, Ms. Zhao, Shiyue Jinfeng and Shenyang Hongsheng as to 6.99%, 3%, 0.01% and 90%, respectively.

(2) Mr. Zhao Wenchen is a brother of Ms. Zhao, a director and a member of our Controlling Shareholders Group, and Ms. Zhao Shujuan is a sister of Ms. Zhao. As such, Mr. Zhao Wenchen and Ms. Zhao Shujuan are connected persons of the Company.

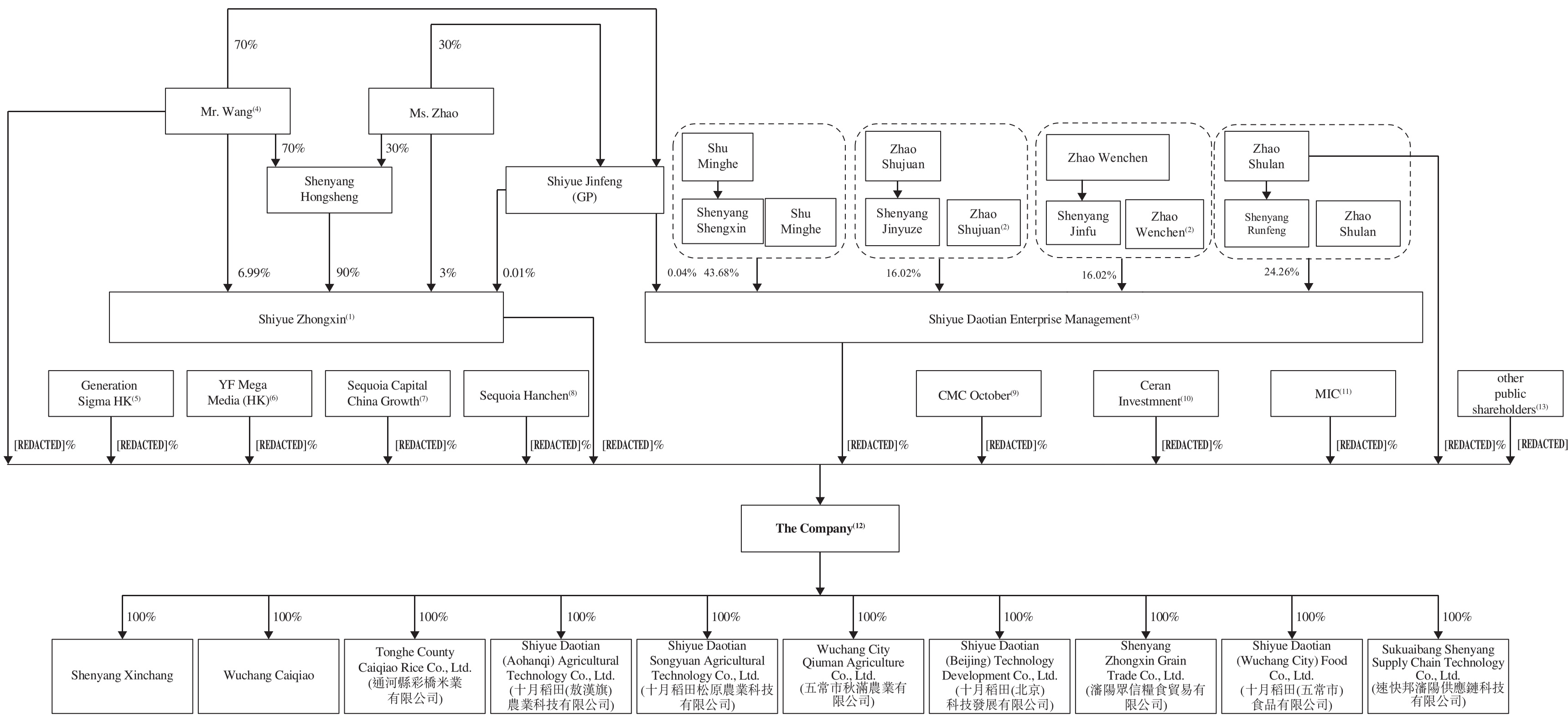
(3) The limited partners of Shiyue Daotian Enterprise Management are Mr. Shu Minghe, Ms. Zhao Shulan, Mr. Zhao Wenchen and Ms. Zhao Shujuan, together with their respective wholly owned subsidiaries Shenyang Shengxin Enterprise Management Consultation Co., Ltd. (瀋陽盛信企業管理諮詢有限公司, wholly owned by Mr. Shu Minghe) ("**Shenyang Shengxin**"), Shenyang Runfeng Enterprise Management Consultation Co., Ltd. (瀋陽潤豐企業管理諮詢有限公司, wholly owned by Ms. Zhao Shulan) ("**Shenyang Runfeng**"), Shenyang Jinfu Enterprise Management Consultation Co., Ltd. (瀋陽金滏企業管理諮詢有限公司, wholly owned by Mr. Zhao Wenchen) ("**Shenyang Jinfu**") and Shenyang Jinyuze Enterprise Management Consultation Co., Ltd. (瀋陽金雨澤企業管理諮詢有限公司, wholly owned by Ms. Zhao Shujuan) ("**Shenyang Jinyuze**"), holding 4.37%, 2.43%, 1.60%, 1.60%, 39.31%, 21.83%, 14.41% and 14.41% of its partnership interests, respectively. The general partner of Shiyue Daotian Enterprise Management is Shiyue Jinfeng.

(4) As of the Latest Practicable Date, Mr. Wang directly owned 21.65% of the equity interests of our Company. In addition, Mr. Wang, together with Ms. Zhao, also controlled 48.35% of the voting rights of the Company through Shiyue Daotian Enterprise Management and Shiyue Zhongxin. Therefore, Mr. Wang, together with other members of the Controlling Shareholders Group are able to control 70% of the voting rights of the Company.

(5)-(11) See "History, Development and Corporate Structure – Pre-[**REDACTED**] Investments" for further details.

(12) Certain percentage figures have been subject to rounding adjustments.

The following chart illustrate our corporate and shareholding structure immediately after the completion of the [**REDACTED**] (assuming that the [**REDACTED**] has not been exercised):



Notes:

(1)-(12): Please refer to the shareholding and corporate structure immediately prior to the completion of the [**REDACTED**].

(13) The Shares held by these other public shareholders are H Shares, which will be counted towards the public float together with the H Shares held by Generation Sigma HK, YF Mega Media (HK), Sequoia Hanchen, Sequoia Capital China Growth, CMC October, Ceran Investment and MIC upon completion of the [**REDACTED**].

LAWS AND REGULATIONS RELATING TO PRODUCING AND SELLING OUR PRODUCTS

Regulations on Food Safety

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》, the "**Food Safety Law**"), as promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on February 28, 2009 and latest amended on April 29, 2021, and the Implementing Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》, the "**Implementing Regulations of the Food Safety Law**"), as promulgated by the State Council on July 20, 2009 and latest amended on October 11, 2019, food producers and business operators shall, in accordance with laws, regulations and food safety standards, engage in production and business operation activities, establish a sound food safety management system, and take effective measures to prevent and control food safety risks, thus ensuring food safety.

According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, food safety standards are mandatory standards, and other than food safety standards, no food mandatory standard shall be formulated. The health administrative department under the State Council shall, in concert with the food safety administration under the State Council, be responsible for the formulation and release of national food safety standards. For local special foods without national food safety standards, the health administrative departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government may formulate and publish local food safety standards and submit the same to the health administrative department under the State Council for filing.

The State encourages food producers to formulate corporate standards that are stricter than the national or local food safety standards. Such corporate standards apply to such producers and shall be reported to the health administrative department of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government for filing. The health administrative departments of the people's governments at the provincial level or above shall promulgate on their respective websites the national and local food safety standards and corporate standards formulated and filed for inquiry and downloading by the public free of charge.

Regulations on Food Production and Sale

According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, the State implements a licensing system for food production and sales. However, no license is required for the sale of edible agricultural product and pre-packaged food. Food operators that only sell pre-packaged food are not required to obtain the food operation license, and it shall report to the food safety regulatory department of the local people's government at or above the county level for the record.

According to the Administrative Measures of Food Production Licensing (《食品生產許可管理辦法》) promulgated by the State Administration for Market Regulation (the "**SAMR**") on January 2, 2020 and took effect on March 1, 2020, entities involved in food production in China shall obtain the food production license. The food production license is valid for five years and is subject to the "one entity, one license" principle. According to the Administrative Measures for Food Operation License (《食品經營許可管理辦法》) promulgated by the State Food and Drug Administration on August 31, 2015, and latest amended on November 17, 2017 and became effective from the same day, entities involved in food operation and catering service in China shall obtain the food operation license which is valid for 5 years. Applications of food operation license shall be filed according to food operators' types of operation and classification of operation projects.

Regulations on Grain Operation

The Administration of Grain Circulation (《糧食流通管理條例》) which was issued by the State Council on May 26, 2004 and latest amended on February 15, 2021 and came into effect on April 15, 2021, sets the requirements of purchasing, sales, storage, transportation, processing activities of grain, including wheat, paddy, corn, miscellaneous cereals and their finished grains products.

According to the Administration of Grain Circulation, enterprises engaged in gain procurement shall file its name, address, responsible person, storage facilities and other information with the grain and reserve administrative department of the people's government at the county level in the place of purchase for record, and shall promptly update the filing if the filing information changes. Grain purchasers purchasing grain shall implement the national grain quality standards, judge the price according to quality, and must not harm the interests of farmers and other grain producers. In addition, the storage facilities used by grain purchasers and enterprises engaged in grain storage shall meet the requirements of the relevant standards and technical specifications for grain storage and shall have the storage conditions appropriate to the variety, quantity and period of storage. The enterprises engaged in gain production shall meet the conditions and requirements set out in food safety laws, regulations and standards and shall be responsible for the safety of the food it produces. The enterprises engaged in the sales of grain shall strictly comply with national standards and other relevant standards of grain quality.

Regulations on Food Labeling Management

According to the Food Safety Law, pre-packaged food shall be labeled. The labels shall include the following items: (1) name, specification, net weight, and production date; (2) content or ingredient table; (3) name, address, and contact information of the producer; (4) best before date; (5) the standards code of the product; (6) storage conditions; (7) generic names of food additives used under the national standards; (8) the number of food production license; and (9) other items that are required by laws, regulations and food safety standards. Food operators shall sell food in accordance with the warning marks, warning specifications or cautions stated on the labels thereof. Accordingly, the health administrative department under the State Council issued on April 20, 2011, and implemented on April 20, 2012, the General Principles of Pre-packaged Food Labeling of National Food Safety Standard (GB 7718-2011) (《食品安全國家標準預包裝食品標籤通則》(GB 7718-2011)).

Regulations on Online Retail Business

According to the E-Commerce Law of the PRC (《中華人民共和國電子商務法》) which was promulgated by the SCNPC on August 31, 2018 and became effective on January 1, 2019, e-commerce operators refer to natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, including e-commerce platform operators, intra-platform business operators and other e-commerce operators that sell commodities or offer services through a self-built website or other network services. An e-commerce operator shall, in business operation, abide by the principles of voluntariness, equality, fairness and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services and accept the supervision by the government and the public.

E-commerce operators shall complete the market entity registration (unless no such registration is required by laws and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which are required by law to obtain administrative licenses. Commodities sold or services offered by e-commerce operators shall meet the requirements to protect personal and property safety and the environmental protection requirements, and e-commerce operators shall not sell or provide any commodity or service prohibited by laws and administrative regulations. E-commerce operators shall (including without limitation): (i) continuously display its business license information and administrative license, or relevant information which indicates that it does not need to complete the market entity registration in a prominent position on its homepage; (ii) disclose information about commodities or services in a comprehensive, truthful, accurate and timely manner so as to safeguard the consumers' right to know and right of choice; (iii) deliver commodities or services according to its commitment or the ways and time limits as agreed upon with consumers, and bear the risks and responsibilities when commodities are in transit; and (iv) bring the tie-in sales of commodities or services to consumers' attention in significant manner and shall not set tie-in commodities or services as default options. Where an e-commerce operator ceases to engage in e-commerce business, it shall continuously announce relevant information in a prominent position on its homepage 30 days in advance.

According to the Administrative Measures for the Supervision on Online Trading (《網絡交易監督管理辦法》) which was promulgated by the SAMR on March 15, 2021 and became effective on May 1, 2021, e-commerce operators shall obtain relevant administrative licenses required by law.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY AND CONSUMER PROTECTION

Regulations on Product Quality

The Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was promulgated by the SCNPC on February 22, 1993 and latest amended on December 29, 2018 is the principal governing law relating to the supervision and administration of product quality. It clarified liabilities of the manufactures and sellers. Manufacturers shall be responsible for the quality of their products. If a defect in a product causes physical injury or damage to property other than the defective product, the manufacturers shall bear liability for compensation, unless they are able to prove that: (1) the product has not been put into circulation; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

Regulations on Consumer Protection

According to the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the "**Consumer Protection Law**") which was promulgated by the SCNPC on October 31, 1993 and latest amended on October 25, 2013, where business operators sell commodities on the internet, on television, over telephone, or by mail order, consumers shall have the right to return the commodities within seven days of receipt of them without cause, subject to certain exceptions. Moreover, consumers are entitled to the protection of their personal safety and property security at the time of purchase and use of goods and receipt of services. Violations of the Consumer Protection Law may result in the imposition of fines, the suspension of operation, the revocation of business license or even criminal liability of the business operators.

Competition Law

In accordance with the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**") which was promulgated by the SCNPC on September 2, 1993 and amended on November 4, 2017 and April 23, 2019, when trading in the market, business operators should abide by the principles of voluntariness, equality, fairness, honesty and credibility, and abide by laws and recognized business ethics. Unfair competition means a business operator, in violation of the Anti-Unfair Competition Law, disrupts the competition order and infringes the legitimate rights and interests of other business operators or consumers. When the legitimate rights and interests of a business operator are damaged by unfair competition, it may start a lawsuit in the People's Court. In contrast, if a business operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition and causes damage to another business operator, it shall be liable for damages. If the damage suffered by the business operator is difficult to assess, the amount of damages shall be the profit obtained by the infringer through the infringement. The infringer shall also bear all reasonable expenses paid by the infringed business operator to stop the infringement.

Price Law

According to the Price Law of the PRC (《中華人民共和國價格法》) (the "**Price Law**") which was promulgated by the SCNPC on December 29, 1997 and became effective on May 1, 1998, business operators should observe the principles of fairness, lawfulness and good faith when they determine the prices. The production and operation costs and the market supply and demand situation should be the fundamental basis for the business operators to determine the price. When selling or purchasing goods and providing services, the business operator shall clearly indicate the price and indicate the name, origin of production, specifications, grade, valuation unit, price or service item, charging standards and other related particulars in accordance with the requirements of the competent government price department. Business operators shall not sell the goods at a price beyond the marked price or charge unspecified fees on top of price indicated. In addition, business operators shall not take illegitimate pricing actions, such as colluding with others to manipulate market prices and damaging the legitimate rights and interests of other business operators or consumers. Any business operator engaged in the act of illegitimate pricing acts stipulated by the Price Law shall be ordered to make corrections, have the illegal income be confiscated, and may be imposed a fine of no more than five times of its illegal income. In serious circumstances, the business operator will be ordered to suspend operations while rectification is being carried out or the administration for industry and commerce will revoke its business license. In addition, any business operator who causes consumers or other operators to pay higher prices due to illegal pricing acts should refund the overpaid portion; if any damage is caused, it shall be liable for compensation according to law. Any business operator who violates the provisions on clearly marked price shall be ordered to make corrections, have the illegal income be confiscated, and may be imposed a fine of no more than RMB5,000.

Advertisement Law

According to the Advertisement Law of the PRC (中華人民共和國廣告法) (the "Advertisement Law"), which was promulgated by the SCNPC on October 27, 1994, latest amended on April 29, 2021, advertisements should not contain false statements or deceive or mislead consumers. An advertisement shall be prohibited from using "national", "highest", "best", or other similar words. The data, statistics, investigation results, excerpts, quotations and other citations used in an advertisement shall be true and accurate, with the sources indicated. If any citation has a scope of application or a term of validity, the scope of application or term of validity shall be clearly indicated.

LAWS AND REGULATIONS ON LAND AND THE DEVELOPMENT OF CONSTRUCTION PROJECTS

Regulations on Land Grants

According to the Land Administration Law of PRC (《中華人民共和國土地管理法》, the "**Land Administration Law**"), as promulgated by the SCNPC on June 25, 1986, latest amended on August 26, 2019, the land can be classified by use into agricultural land, construction land, and unused land. The construction land can be further classified into state-owned and collectively managed construction land, and land users may obtain the land use right of the construction land according to the Land Administration Law.

Regulations on Planning of a Construction Project

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), as promulgated by the SCNPC on October 28, 2007, latest amended on April 23, 2019, a construction work planning permit must be obtained from the competent urban and rural planning government authority for the construction of any structure, fixture, road, pipeline or other engineering projects within an urban or rural planning area.

After obtaining a construction work planning permit, subject to certain exceptions, a construction enterprise must apply for a construction work commencement permit from the construction authority under the local people's government at the county level or above in accordance with the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the SCNPC, on November 1, 1997 and latest amended on April 23, 2019.

According to the Rules on the Administration of Construction Quality (《建設工程質量管理條例》) which was promulgated by the State Council on January 30, 2000 and latest amended on April 23, 2019, and the Administrative Measures for Filing of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) which was promulgated by the former Ministry of Construction on April 4, 2000 and latest amended on October 19, 2009, upon the completion of a construction project, the construction enterprise must submit an application to the competent department in the people's government at the county level or above where the project is located, for examination and for filing purposes; and to obtain the filing form for acceptance and examination upon completion of the construction project.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on December 26, 1989 and became effective on the same day, latest amended on April 24, 2014 and became effective on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge wastes shall obtain a Waste Discharge License (排污許可證). Furthermore, facilities for the prevention and control of pollution at a construction project shall be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002, became effective on September 1, 2003 and latest amended on December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purposes. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

Pursuant to the Interim Measures on Administration of Environmental Protection for Acceptance Examination Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) which was promulgated on November 20, 2017 and came into effect on the same day, the construction unit is the responsible party for the acceptance of the environmental protection facilities for the completion of the construction project, and shall, in accordance with the procedures and standards stipulated in relevant regulations, organize the acceptance of the environmental protection facilities, prepare the acceptance report, disclose the relevant information, accept social supervision, ensure that the environmental protection facilities to be constructed for the construction project are put into operation or used at the same time as the main project, and be responsible for the content, conclusion and public information of the acceptance. The construction unit shall be responsible for the truthfulness, accuracy and completeness of the acceptance content, conclusions and information disclosed, and shall not falsify the acceptance process. The major construction works of the construction project cannot be put into operation until the supporting facilities for environmental protection pass the inspection.

Pursuant to the Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) which was promulgated on October 30, 1995 and latest amended on April 29, 2020 and came into effect on September 1, 2020, the construction of projects which discharge solid waste and the construction of projects for storage, use and treatment of solid waste shall be carried out upon the appraisal regarding their effects on the environment and comply with the relevant state regulations concerning the management of environmental protection in respect of construction projects. The necessary supporting facilities for the prevention and control of environmental pollution caused by solid wastes as specified in the environmental impact assessment documents of the construction project shall be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

Pursuant to the Law of the PRC on Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》) which was promulgated on May 11, 1984, latest amended on June 27, 2017, and came into effect on January 1, 2018, the environmental impact assessment shall be conducted on new construction, reconstruction and construction expansion projects or other installations on water which directly or indirectly discharge pollutants into the water according to law. The water pollution prevention and treatment facilities of a construction project must be designed constructed and put into operation simultaneously with the major construction works of the construction project. The water pollution prevention and treatment facilities shall comply with the requirements of approved or filed environmental impact assessment documents.

The Administrative Measures on Licensing of Urban Drainage (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-rural Development on January 22, 2015, latest amended on December 1, 2022 and came into effect on February 1, 2023, provides that enterprises, institutions and individual industrial and commercial households engaging in industry, construction, catering industry, medical industry and discharging sewage into the urban drainage network must apply for and obtain a License for Urban Drainage (排水許可證).

LAWS AND REGULATIONS ON DATA SECURITY AND CYBER SECURITY

Regulations on Data Security

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**"), which took effect on September 1, 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security. Violation of Data Security Law may subject the relevant entities or individuals to warnings, fines, suspension of operations, revocation of permits or business licenses, or even criminal liabilities.

According to the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》, the "**Security Assessment Measures**"), which was promulgated by the the Cyberspace Administration of China (國家互聯網信息辦公室, the "**CAC**") on July 7, 2022 and came into effect on September 1, 2022, data processors shall apply for cross-border security assessment with the CAC through the local provincial-level cyberspace administration department under any of the following circumstances: (i) cross- border transfer of important data by data processors; (ii) cross-border transfer of personal information by critical information infrastructure operators and data processors that process more than 1 million personal information; (iii) cross-border transfer of personal information by data processors that have made cross-border transfer of personal information of 100,000 people or sensitive personal information of 10,000 people cumulatively since January 1 of the previous year; and (iv) other circumstances where an application for security assessment of cross-border data transfer is required as prescribed by the CAC.

Regulations on Cyber Security

The Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which was promulgated on November 7, 2016 and came into effect on June 1, 2017, requires that when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cyber security events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data.

The Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of the PRC's "critical information infrastructure" (關鍵信息基礎設施). According to the Cyber Security Law, critical information infrastructure refers to critical information infrastructure that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, national economy and people's livelihood, or public interest. Specific reference is made to key industries including, but not limited to, public communications and information services, energy, transportation, irrigation, finance, public services and e-government.

The Cyber Security Law emphasizes that any individuals and organizations that use networks should not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. Network operators or providers of network products or services may be subject to rectifications, warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of qualifications, closedown of websites or even criminal liabilities for violations of the provisions and requirements under the Cyber Security Law.

On December 28, 2021, thirteen government departments including the CAC jointly issued the Cybersecurity Review Measures (2021) (《網絡安全審查辦法(2021)》) which came into effect on February 15, 2022. The Cybersecurity Review Measures provide that, to ensure the security of the supply chain of critical information infrastructure and safeguard national security, a cybersecurity review is required when national security has been or may be affected where critical information infrastructure operators (關鍵信息基礎設施運營者) purchase network product or service and network platform operators (網絡平台運營者) process data. When an operator in possession of personal information of over one million users applies for a listing abroad (國外上市), it must apply to the CAC for a cybersecurity review.

On July 30, 2021, the State Council promulgated the Security Protection Regulations for Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "**CII Regulations**"), which became effective on September 1, 2021. Pursuant to the CII Regulations, "critical information infrastructures" refers to important network facilities and information systems of key industries such as, among others, public communications and information services, energy, transportation, irrigation, finance, public services, e-government and science, technology and industry for national defense, as well as other important network facilities and information systems that may seriously endanger national security, national economy and citizen's livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Such regulation further supports our view that we should not be recognized as an operator of "critical information infrastructure". The CII Regulations also stipulates the procedures for determining critical information infrastructure. It provides that competent authorities shall promulgate detailed rules in designating critical information infrastructure, identify critical information infrastructure in the relevant industries, and notify operators of such critical information infrastructure in a timely manner.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT IN THE PRC

Regulations on Foreign Investment

Investment activities in the PRC by foreign investors were principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**Negative List**"), and the Catalogue of Industries for Encouraging Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraging List**"). The Negative List, which came into effect on January 1, 2022, sets out special administrative measures (restricted or prohibited) in respect of the access of foreign investments in a centralized manner, and the Encouraging List which came into effect on January 1, 2023, sets out the encouraged industries for foreign investment.

Regulations on Foreign-Invested Enterprises

On December 29, 1993, the SCNPC issued the PRC Company Law (《中華人民共和國公司法》) (the "**Company Law**"), which was lasted amended on October 26, 2018. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares. According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) promulgated by the NPC on March 15, 2019, and came into effect on January 1, 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》) and the Sino-foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) have been repealed since January 1, 2020.

On December 26, 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020. Simultaneously, the Regulations on Implementing the Sino-Foreign Equity Joint Venture of the PRC (《中華人民共和國中外合資經營企業法實施條例》), the Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture of the PRC (《中華人民共和國中外合作經營企業法實施細則》) have been repealed since January 1, 2020.

According to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which was promulgated by the Ministry of Commerce of the PRC (the "**MOFCOM**") and the SAMR on December 30, 2019 and came into effect on January 1, 2020 and simultaneously replaced the Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), for carrying out investment activities directly or indirectly in PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITY

Regulations on Employment

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》), or the Labor Law (promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and latest revised on December 29, 2018), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) or the Labor Contract Law (promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and amended on December 28, 2012 and became effective on July 1, 2013) and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (issued by the State Council on September 18, 2008 and came into effect on the same day). According to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure their employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abides by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Regulations on Social Insurance

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was issued by the SCNPC on October 28, 2010 and revised on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance, medical insurance and other welfare plans. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its establishment. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. Meanwhile, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and amended on March 24, 2019 prescribes the details concerning the social insurance.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the Regulation on Work-Related Injury Insurance (《工傷保險條例》) which was issued by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010, the Regulations on Unemployment

Insurance (《失業保險條例》) which was issued by the State Council on January 22, 1999 and came into effect on the same day, the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), which was issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995. Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

Regulations on Housing Provident Fund

According to the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was implemented on April 3, 1999 and latest amended on March 24, 2019, any newly established entity shall make deposit registration at the housing accumulation fund management center within 30 days as of its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management center and seal up the employee's housing accumulation fund account in the bank mentioned above within 30 days from termination of the employment relationship. Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity that fails to make payment of housing provident fund within the time limit or has a shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Regulations on Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and latest amended on April 23, 2019 and came into effect on November 1, 2019, the Implementation Regulations of the Trademark Law of PRC (《中華人民共和國商標法實施條例》) which was issued on August 3, 2002 and amended on April 29, 2014, the Trademark Office under the SAMR (the "**Trademark Office**") shall handle trademark registrations and grant a term of ten years to registered trademarks, which may be renewed for additional ten year period upon request from the trademark owner. The Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Where an application for trademark for which application for registration has been made is identical or similar to another trademark which has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licenser shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

Regulations on Copyrights

According to the Copyright Law of the PRC (《中華人民共和國著作權法》, the "**Copyright Law**") which was promulgated by the NPCSC on September 7, 1990 and latest amended on November 11, 2020 and became effective on June 1, 2021, copyright includes personal rights such as right of publication and right of authorship, as well as property rights such as reproduction rights and distribution rights. Except as otherwise provided by the Copyright Law, copying, distributing, performing, projecting, broadcasting, compiling or editing a work or disseminating the work to the public through information network without the permission of the copyright owner constitutes a copyright infringement. The infringer shall, bear civil liabilities such as ceasing the infringement, eliminating the impacts, making an apology, and compensating for the loss.

Regulations on Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984, latest amended on October 17, 2020 and became effective on June 1, 2021 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001, and latest amended on January 9, 2010 and became effective from February 1, 2010, there are three types of patents in the PRC, which are invention patents, utility model patents and design patents. The protection period of a patent right for invention patents shall be 20 years, the protection period of a patent right for utility model patents shall be 10 years, and the protection period of design patent right is 15 years, both commencing from the filing date.

Regulations on Domain Names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology of the PRC (the "**MIIT**") on August 24, 2017 and became effective on November 1, 2017, the MIIT is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register". A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT

Pursuant to the Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and became effective from April 1, 1996, and lastest amended on August 5, 2008 and became effective from the same date, and relevant regulations, there is no restriction on the recurring international payment and transfer, and the foreign exchange income and expenses of recurring items (such as goods trade, income and expenses of service trade and payments of interest and dividends) should be on true and legal transactions basis, and can be directly undertaken at the bank with true and valid transaction documents. Foreign exchange income and expenses of capital items (such as direct equity investment and loans) shall comply with the provisions of relevant laws and regulations, and where required for approval or registration by relevant regulation from foreign exchange administration authorities, such approval or registration shall be filed. Foreign exchange and settlement funds of capital items shall be used for purposes as stipulated in relevant competent departments and foreign exchange administration authorities.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the State Administration of Foreign Exchange (the "**SAFE**") on December 26, 2014 and as amended by the SAFE Circular 16 (defined below), the domestic companies shall register the overseas listing with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of the SAFE on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**") promulgated on March 30, 2015, came into effective on June 1, 2015 and as amended by the SAFE Circular 16 (defined below) and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign- invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the SAFE on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), which came into effect on the same day. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practice.

According to the Circular of the SAFE on Optimizing Foreign Exchange Management Service in Support of Foreign Business Development (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated by the SAFE on April 10, 2020 and became effective from June 1, 2020, on the premise of ensuring the authentic and compliant use of funds and complying with the existing regulations on the use of capital income, eligible enterprises are allowed to use capital income such as capital funds, foreign debts and proceeds from overseas listing for domestic payments without providing materials to the bank in advance for authenticity verification on a case-by-case basis. The concerned banks shall follow the principle of prudent development to control the relevant business risks and conduct post inspection on the use of funds under capital accounts handled in accordance with relevant requirements.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax ("EIT")

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**") promulgated by the SCNPC on March 16, 2007 and amended on December 29, 2018 and the Implementation Rules of the EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and amended on April 23, 2019, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign countries (regions) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%. In addition, an enterprise may enjoy an exemption of EIT for its income from the primary process of agricultural products.

Value-Added Tax

The major PRC laws and regulations governing value-added tax are the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (issued on December 13, 1993 by the State Council, came into effect on January 1, 1994, and latest amended on November 19, 2017), and the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) (issued on December 18, 2008 by the Ministry of Finance of the PRC (the "**MOF**"), came into effect on the same day and latest amended on October 28, 2011). According to the aforementioned regulations, any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of Value-added tax (the "**VAT**") and shall pay the VAT in accordance with the law and regulation. The rate of VAT for sale of goods is 17% unless otherwise specified, such as the rate of VAT for sale of transportation is 11%. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the State Taxation Administration (the "**STA**") issued the Notice on Adjusting Value-Added Tax Rates (《關於調整增值稅稅率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, which became effective on May 1, 2018. Subsequently, the MOF, the STA and the General Administration of Customs of the PRC jointly issued the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

LAWS AND REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING

The China Securities Regulatory Commission (the "**CSRC**") promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five related guidelines on February 17, 2023, which came into effect on March 31, 2023. The Overseas Listing Trial Measures introduce a new filing regime which requires PRC domestic companies to register their direct and indirect overseas listings and securities offerings with the CSRC by filing materials on key compliance issues. The Overseas Listing Trial Measures provide that overseas listing and offering are explicitly prohibited, if any of the following applies: (i) such securities offering and listing are explicitly prohibited by specific laws and regulations; (ii) the proposed securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council; (iii) the domestic company or its controlling shareholder(s) and the actual controller, have committed crimes including corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy in the past three years; (iv) the domestic company is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations which have not definitive conclusion; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

The CSRC and other three relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Provision on Confidentiality**") on February 24, 2023, and came into effect on March 31, 2023. Pursuant to the Provision on Confidentiality, when a domestic company provides or publicly discloses the documents and materials involving state secrets and working secrets of state organs to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses such the documents and materials through its overseas listing subjects, it shall report to the competent department with the examination and approval authority for approval, and file with the same level secrecy administration department. Domestic companies providing accounting archives or copies thereof to entities and individuals such as securities companies, securities service institutions and overseas regulatory authorities shall perform the relevant procedures according to relevant regulations. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide related services for the overseas offering and listing of domestic enterprises shall be kept within the territory of the PRC. Cross-border transferring of such working papers shall go through the examination and approval formalities in accordance with the relevant regulations.

LAWS AND REGULATIONS RELATING TO FULL CIRCULATION OF H SHARES

According to the Overseas Listing Trial Measures and related guidelines, "Full circulation" represents the shareholders of domestic unlisted shares of domestic companies, which directly offer and list securities in overseas markets, converting its domestic unlisted shares into foreign listed shares circulating in overseas markets. "Full circulation" shall comply with relevant regulations of the CSRC and the shareholders of domestic unlisted shares shall entrust the domestic company to report the "Full circulation" with CSRC by filing materials on key compliance issues, including whether the "Full circulation" has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the "Full circulation" involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, industry supervision and foreign investment, and if so, whether such approval or filing procedures have been performed.

OVERVIEW

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

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

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

- for each year from 2019 to 2022, we have been the largest company on comprehensive e-commerce platforms, such as JD.com and Tmall, in terms of the revenue generated from sales of rice, whole grain, bean and seed products, with a 14.2% market share in 2022, which is 2.7 times that of the second-largest company, according to Frost & Sullivan;

- for each year from 2019 to 2022, our flagship brands, Shiyue Daotian and Firewood Courtyard, have consistently ranked in the top two positions on comprehensive e-commerce platforms in terms of revenue generated from sales of rice, whole grain and bean and seed products, according to Frost & Sullivan; and

- Shiyue Daotian has been recognized as "Best Partner of 2022 (2022年度最佳合作夥伴)" by JD Supermarket and "A Hundred Million Club – Super Brand of 2022 (超棒品牌億元俱樂部)" by Tmall Supermarket.

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

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

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

OUR STRENGTHS

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

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

- we were the largest company in terms of revenue in China's pre-packaged premium rice market in 2022;

- for each year from 2019 to 2022, we have been the largest company in China in terms of revenue in China's pre-packaged Northeast Rice retail market, with a market share of 9.7% in 2022, which is approximately 1.5 times that of the second largest one;

- we ranked third in terms of revenue in China's pre-packaged rice market in 2022; and

- we were the largest company in terms of revenue in China's pre-packaged whole grain, bean and seed market in 2022.

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

As an industry leader, we believe that we are more favorably positioned than our competitors to capture the opportunities arising from such transformation of China's rice, whole grain, bean and seed industry. Following our efforts for over a decade, we have established a compelling brand portfolio, highlighted by our flagship brands, Shiyue Daotian and Firewood Courtyard. We have also constructed a diversified omnichannel sales network and have emerged as a prominent market leader across multiple sales channels. According to Frost & Sullivan, among the top five players in China's pantry staple food market, we are the fastest-growing company in terms of revenue CAGR from 2020 to 2022, exceeding the industry average of 3.9% and the average growth rate of the remaining four companies. During the Track Record Period, we achieved remarkable growth, with revenue increasing from RMB2,327.0 million in 2020 to RMB3,598.3 million in 2021, and further to RMB4,532.9 million in 2022, growing at a CAGR of 39.6% from 2020 to 2022. Our adjusted net profit reached RMB364.0 million in 2022.

Multiple household brands with compelling product offerings

Similar to the development of edible oil, flour and condiment industries, China's rice, whole grain, bean and seed industry has been transforming in recent years with companies becoming increasingly focused on building brand equity. Capitalizing on the historical opportunity presented by the evolving industry landscape, we have committed unwavering dedication to cultivating a portfolio of household names, underpinned by our flagship brands, Shiyue Daotian and Firewood Courtyard. Our brands feature differentiated brand positioning and category focus, thoughtfully designed to cater to the diverse demands of different consumer groups. By consistently upholding our core values of "providing Chinese consumers with quality, healthy and fresh food products, and convenient and delightful experiences (為中國消費者提供優質、健康、新鮮的食品,和便捷、愉悦的消費體驗)," we aspire to establish ourselves as the go-to pantry staple food brand for Chinese consumers.

Today, our flagship brands, Shiyue Daotian and Firewood Courtyard are among the most recognized brands in China's rice, whole grain, bean and seed market, according to the Frost & Sullivan 2022 Survey. According to Frost & Sullivan, Shiyue Daotian is unequivocally the most recognizable brand among those launched after 2010 for rice, whole grain, bean and seed products. According to the same source, in terms of the sales on JD.com in 2022, the repurchase rate for our rice, whole grain, bean and seed products under Shiyue Daotian and Firewood Courtyard has significantly outperformed the industry average.

With our superior brand equity, consumer insights and industry expertise, we have introduced comprehensive and complementary product offerings comprising an extensive range of product categories. We are also capable of developing new products that cater to the evolving needs of consumers and characteristics of sales channels. In response to the market demand for diverse staple foods, we have launched whole grain products such as mixed brown rice and millet, providing more people with access to a nutritious diet. We have also launched products in small packs to meet the needs of smaller families and single people. By adopting creative and distinct packaging designs and marketing strategies, we have successfully introduced a series of products that received positive market reactions. For instance, we have launched series such as "Cold Dew Autumn Aroma (寒露秋香) Series," "China Chic Series (國潮系列)" and "National Flower Series (國花系列)," catering to the diverse preferences of consumers from different age groups and different consumption scenarios. We have a strong track record of introducing popular products. In 2022, we had eight SKUs with an annual revenue of over RMB100 million, and two out of such eight SKUs were launched after 2021.

Omnichannel sales network with a nationwide reach

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

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

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

Industry-leading branding and marketing capabilities

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

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

Our strong marketing capabilities are supported by our universal marketing matrix and our vast experience in formulating marketing strategies for different sales channels. We have established a strong presence on comprehensive e-commerce platforms and social e-commerce platforms in China. As of December 31, 2022, we have collaborated with over 3,500 KOLs and KOCs, and over 450 of them have over one million followers. We also have a steadfast consumer base, who share our values and have naturally become advocates of our products. As of December 31, 2022, our self-operated online stores and media accounts had an aggregate of over 28 million followers.

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

A strategic layout in five core grain production areas of China

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

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

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

Outstanding supply chain management and quality control systems

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

Our production is highly standardized and automated, and we are committed to continuously upgrading our production line with advanced equipment to enhance its automation level. As of the December 31, 2022, we had put into operation over ten automated production lines. Additionally, we have built a modern warehouse and distribution system, which expands nationwide through five self-operated regional distribution centers ("**RDCs**") in Shanghai, Tianjin, Chengdu, Shenyang and Dongguan, and ten local warehouses to ensure prompt and reliable contract fulfillment.

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

A visionary management team with excellent execution abilities

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

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

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

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

OUR STRATEGIES

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

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

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

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

Broaden and deepen our omnichannel network to enlarge our consumer base with high operational efficiency

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

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

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

Expand multi-category product offerings to achieve sustainable growth

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

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

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

Strengthen our "from farm to table" supply chain management capabilities to build integrated operation barriers

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

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

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

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

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

We will continue to foster a corporate culture committed to our core values of "providing Chinese consumers with quality, healthy and fresh food products, and convenient and delightful experiences (為中國消費者提供優質、健康、新鮮的食品,和便捷、愉悦的消費體驗)." To achieve that, we will further enhance our cultural influence, group cohesiveness and sense of belonging. In addition, we aim to "build a valuable and influential food brand in China (打造中國有價值、有影響力的食品品牌)" by enhancing our service quality and operational efficiency. We are committed to promoting standardization, quality, and branding throughout the pantry staple food industry. We aim to create sustainable value and promote positive energy by demonstrating our commitment to our employees, consumers, partners and society.

OUR BRANDS AND PRODUCTS

We are a leading and rapidly growing pantry staple food company in China, enjoying a robust omnichannel brand presence. Committed to becoming the go-to brand for Chinese families, we have been dedicated to providing our consumers with premium pre-packaged rice, whole grain, bean, and dried food products since our inception. Committed to our tenet of providing products of diversified categories with "excellent taste from renowned origin (口感好,糧源優)," we have played a preeminent role amidst the transformation in recent years with companies becoming increasingly focused on building brand equity, and further cultivated favorable brand perceptions among consumers. Following our persistent efforts for more than a decade, we have successfully established and been operating multiple well-recognized brands, mainly including Shiyue Daotian (十月稻田), Firewood Courtyard (柴火大院) and Sunshine Family (福享人家). According to the Frost & Sullivan 2022 Survey, our flagship brands, Shiyue Daotian and Firewood Courtyard are among the most recognized brands in China's rice, whole grain, bean and seed market, with Shiyue Daotian as the most recognizable brand among those launched after 2010 for rice, whole grain, bean and seed products.

Leveraging our high brand awareness, we have amassed a significant and steadfast consumer base, placing ourselves at the forefront of the industry in terms of consumers' intention to recommend and willingness to repurchase. According to Frost & Sullivan, in terms of the sales on JD.com in 2022, the repurchase rate for our rice products under Shiyue Daotian and Firewood Courtyard was 39% and 36%, respectively, higher than the industry average of 26%; the repurchase rate for our whole grain, bean and other products under Shiyue Daotian and Firewood Courtyard was 34% and 32%, respectively, higher than the industry average of 19%; and the repurchase rate for our dried food products under Shiyue Daotian was 30%, higher than the industry average of 16%. As consumers share their product experiences with friends and families, we are able to attract more potential consumers by word-of-mouth referrals. We were the largest company by revenue in each of China's pre-packaged premium rice market and China's pre-packaged whole grain, bean and seed market in 2022, according to Frost & Sullivan.

With our superior brand equity, consumer insights and industry expertise, we have introduced comprehensive and complementary product offerings comprising an extensive range of product categories, which strategically focuses on different price ranges, sales channels, product categories and packaging styles. Thus, we are able to reach a broad consumer group and enhance consumers' needs for our products. In 2022, we had eight SKUs, with an annual revenue of over RMB100 million, and two out of such eight SKUs were launched after 2021.

We primarily offer three categories of products:

- ***Rice products.*** Our rice products mainly include pre-packaged rice products of different varieties, such as Daoxiang rice (稻香米), long grain rice (長粒香大米) and Komachi rice (小町米). In particular, we offer Wuchang rice, a type of Daoxiang rice which has been famous for its place of origin. Wuchang, a National Ecological Civilization Demonstration Area, is recognized as one of the most superior production areas for rice products with national A-class air quality and fertile black soil. Wuchang rice is certified as a China National Geographical Indication Product under GB/T19266 standards. Wuchang rice features a fresh and fragrant aroma, and cooked Wuchang rice has a glowing brightness, with a soft, sticky and sweet taste.

Daoxiang rice

Long grain rice

Komachi rice

Daoxiang rice	Long grain rice	Komachi rice
Daoxiang rice is long and translucent in its appearance, with a sticky, firm and sweet taste. It also features a fresh and fragrant aroma.	Long grain rice is long and full in its appearance, with a firm and chewy taste. Cooked long grain rice naturally exudes a gentle aroma.	Komachi rice is short and round in its appearance, with a moderately sticky taste.

- ***Whole grain, bean and other products***. Our whole grain, bean and other products mainly include pre-packaged mixed brown rice, millet, red bean, sesame and corn. Other products under this category refers to seed and corn products.

- ***Dried food and other products***. Our dried food products mainly include pre-packaged wood ear mushrooms, snow fungus mushroom and lotus seeds. Other products under this category mainly include by-products, such as bran, husk and fractioned rice.

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

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

Rice Products

Dedicated to bringing consumers premium rice products from renowned places of origin for grains that preserve freshness to the maximized extent, we have constructed production bases adjacent to such places. Thus, we are able to procure fresh raw materials promptly after their maturity period for storage and production, thereby achieving efficient and agile supply chain management. We primarily procure raw materials of superior quality from Northeast China, one of the three major agriculture production areas with black soil in the world. According to Frost & Sullivan, Northeast China's black soil is rich in nutrients and provides favorable conditions for agricultural production, and its cold weather slows down the growth of crops, allowing them to mature slowly over a long growth period to develop good flavors and textures. Additionally, the significant diurnal temperature variation in Northeast China enhances the density of the crop. According to the Frost & Sullivan 2022 Survey, Northeast

Rice is the category in which consumers express the most interest. Our rice products feature soft, chewy and sticky taste, with a fresh aroma, leaving a long-lasting sweetness. According to Frost & Sullivan, we ranked among the top three companies in China's pre-packaged rice market in terms of revenue in 2022.

We are committed to offering consumers premium products, with continuous innovation guided by our deep industry insights. For example, we have launched our Shiyue Daotian Fresh Rice (十月稻田鮮米). We aim to preserve the freshness and taste of Shiyue Daotian Fresh Rice via various methods. In particular, we use fresh paddy for production and storage, and conduct freshness testing and taste analysis in developing our Shiyue Daotian Fresh Rice. We also adopt the use of a nozzle in our packaging design to make the storage of rice products more convenient and hygienic to address the pain point that rice products are difficult to seal after opening. Our Shiyue Daotian Fresh Rice features a six-month shelf life.

Committed to our multi-brand operation approach, we sell our rice products under various brands, and continue to develop and launch products that are well received by consumers. Our brands primarily include Shiyue Daotian, Firewood Courtyard and Sunshine Family.

Shiyue Daotian

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

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

Our diverse rice products under the Shiyue Daotian brand cover varieties such as Daoxiang rice (including Wuchang rice), long grain rice and Komachi rice. We launched our Shiyue Daotian classic series of long grain rice in 2011. Our long grain rice has a long and smooth shape, with a bright hue. Raw rice naturally exudes an aroma, and the cooked rice becomes soft and fluffy, with a fresh and sweet taste. We have also designed red packaging for our classic series, to convey the message of auspiciousness, vitality, and prosperity. Our Shiyue Daotian classic series of long grain rice has recorded revenue of over RMB100 million since 2018.

We have actively developed and launched new products under the Shiyue Daotian brand to address evolving consumer needs, and to increase our brand vitality. For example, we launched the "Cold Dew Autumn Aroma" series of long grain rice and Wuchang rice in 2019. Named after the solar term "cold dew," which signifies the start of the harvest season, Cold

Dew Autumn Aroma embodies the message of "the sweeping seedling aroma in cold dew (寒露時節,萬里飄香)." We have adopted six-sided and double-layer vacuum packaging for Cold Dew Autumn Aroma to facilitate direct transportation from renowned places of origin for grains to guarantee freshness. The "Cold Dew Autumn Aroma" series of long grain rice has received a warm welcome from consumers from all sales channels, and recorded a revenue of over RMB100 million in 2022.

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

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

Product	Launch Time	Net Weight per Individual Package	Suggested Retail Price per Individual Package	Representative Package Design
Class series – long grain rice (經典系列長粒香米)	2011	500g – 25kg	RMB12.8 – RMB189	
Class series – Wuchang rice (經典系列五常大米)	2013	5kg – 10kg	RMB69.9 – RMB129.9	

Product	Launch Time	Net Weight per Individual Package	Suggested Retail Price per Individual Package	Representative Package Design
"Cold dew autumn aroma series"– long grain rice (寒露秋香系列長粒香米)	2019	500g – 10kg	RMB6.9 – RMB99	
"Cold dew autumn aroma series"– Wuchang rice (寒露秋香系列五常大米)	2019	500g – 10kg	RMB9.9 – RMB198	
"Shiyue Daotian National Flower series" – Wuchang rice (國花系列五常大米)	2019	2.5kg – 5kg	RMB59 – RMB85.9	

Firewood Courtyard

We launched our Firewood Courtyard brand in 2011, which is positioned to capture the mid-to-high-end market. Committed to embracing the idea of nature, we are devoted to sourcing grains cultivated within renowned places of origin for grains. We believe such pursuit for superior quality will help us to promote the idea of "better-tasting Wuchang rice (更好吃的五常大米)", and enhance the market demand for our products. Firewood Courtyard conveys the message to "fire the wood to cook the rice (煮飯燃薪,薪為柴火)," representing a healthy lifestyle, with a natural and rustic charm. Our Wuchang rice is long and smooth in appearance, with a bright and translucent hue. Raw rice naturally exudes a fresh aroma, and cooked rice renders a glowing brightness, with a soft, sticky and sweet taste.

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

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

Product	Launch Time	Net Weight per Individual Package	Suggested Retail Price per Individual Package	Representative Package Design
"Straw hat series" – Wuchang rice (草帽系列五常大米)	2014	5kg – 10kg	RMB79 – RMB149.9	
"Straw hat series" – ecological long grain rice (草帽系列生態長粒香米)	2014	5kg – 10kg	RMB55 – RMB110	
"China Chic series" – Wuchang rice (國潮系列五常大米)	2018	5kg – 10kg	RMB149.9 – RMB199	

Sunshine Family

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

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

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

Whole Grain, Bean and Other Products

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

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

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

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

Dried Food and Other Products

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

Below, we set forth our key dried food products:

Product	Launch Time	Net Weight per Individual Package	Suggested Retail Price per Individual Package	Representative Package Design
Wood ear mushrooms	2017	150g	RMB23.9	
Lotus seeds	2019	250g	RMB28.9	

BRANDING AND MARKETING

We place great emphasis on brand-building, and have developed outstanding marketing capabilities across our omnichannel sales network. Upholding our core values of "providing Chinese consumers with quality, healthy and fresh food products, and convenient and delightful experiences (為中國消費者提供優質、健康、新鮮的食品,和便捷、愉悦的消費體驗)," we strategically curate our brand portfolio and product offerings, with differentiated price ranges, sales channels, product categories and packaging styles to reach a wide consumer base. According to the Frost & Sullivan 2022 Survey, Shiyue Daotian and Firewood Courtyard are among the most recognized brands in China's rice, whole grain, bean and seed market, with Shiyue Daotian ranking highest for product experience, repurchase intention and willingness to recommend. Our leading position, diverse product offerings and brand equity enable us to cooperate with our business partners across our omnichannel sales channels to reach more consumers, and further consolidate our leading position and enhance our brand awareness.

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

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

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

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

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

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

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

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

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

Celebrity endorsement and collaboration with KOLs and KOCs. We have selected a brand ambassador, a Olympic medalist, who echoes our brand spirit. As of December 31, 2022, we had cooperated with over 3,500 KOLs and KOCs from various platforms, of which over 450 KOLs and KOCs have more than one million followers. We also had over 28 million followers across e-commerce platforms and online stores as of December 31, 2022.

OUR OMNICHANNEL SALES NETWORK

We have built an extensive and diverse omnichannel sales network to reach a wide range of consumers, enhance our brand reputation and solidify our competitive advantages.

We started building our network from cooperating with online channels. With our acute market insights, differentiated marketing strategies, strong execution capabilities, and efficient supply chain management, we have partnered with multiple e-commerce platforms with leading positions, wide consumer outreach and high brand awareness in China and established leadership under multiple categories in terms of market share. We were the largest company in China's rice, whole grain, bean and seed market in terms of revenue generated from sales through online channels in 2022, representing a market share of 10.7%, according to Frost & Sullivan.

Leveraging our competitive advantages on online channels, we have further deepened our sales channel penetration and established an omnichannel sales network. Since 2016, we have diversified into modern retail channels and cooperated with well-known partners. According to Frost & Sullivan, in terms of revenue in 2022, we ranked fourth in the modern retail channels in China's rice, whole grain, bean and seed market.

With the continuous expansion of our sales network, we have accumulated extensive experience in the identification, development and operation of sales channels. Thus, we are able to quickly identify and deploy emerging sales channels, effectively replicate our core operational experience, strategically launch suitable products, and achieve sustainable development. We have successfully seized opportunities in emerging channels to further strengthen our competitive edge. In 2020, we began to cooperate with social e-commerce platforms. In the same year, we also started partnering with community group buying platforms.

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

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

Note:

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

Online Channels

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

E-commerce Platforms

We primarily sell products to e-commerce platforms, which, in turn, sell our products to consumers. We collaborate with both comprehensive e-commerce platforms such as JD.com and Tmall, and community group buying platforms in China. As of December 31, 2020, 2021 and 2022, we collaborated with 24, 27 and 29 e-commerce platforms, respectively, primarily due to our continuous efforts to expand and enhance our collaboration with e-commerce platforms. In 2020, 2021 and 2022, we generated revenue of RMB1,585.6 million, RMB2,190.6 million and RMB2,657.3 million from e-commerce platforms, respectively, representing 68.1%, 60.9% and 58.6% of our revenue during the same year, respectively. We have been widely recognized by e-commerce platforms. For example, we were listed on the JD Supermarket Food and Beverage Annual Ranking Bestseller Quality Top 10 (年度京東超市食

品飲料年度排行榜暢銷品品質榜十強) and won the Tmall Outstanding Partner Award (天貓傑出合作夥伴獎) during our collaboration with Tmall, reflecting the established leadership of our business on e-commerce platforms.

We primarily enter into sales and purchase arrangement with e-commerce platforms. We also enter into consignment arrangements with one e-commerce platform. According to Frost & Sullivan, consignment arrangement is a market practice for companies in collaboration with certain e-commerce platforms, including established e-commerce platforms with extensive end-consumer outreach and strong brand equity. Under sales and purchase arrangements, we have a buyer-seller relationship with e-commerce platforms, and we recognize revenue when they accept our products upon delivery. Under consignment arrangements, we recognize revenue when end-consumers confirm acceptance on the relevant e-commerce platforms.

The salient terms of our standard agreements with e-commerce platforms during the Track Record Period are set out below:

- *Duration*. The duration of the agreement is typically one year.

- *Minimum purchase requirement*. We generally do not set any minimum purchase requirements.

- *Payment and credit terms*. E-commerce platforms periodically settle payments with us. Depending on the specific arrangements with the e-commerce platforms, we generally grant a credit period within 60 days.

- *Sales and performance targets*. We generally do not set sales targets for e-commerce platforms.

- *Pricing policy*. We generally sell our products through e-commerce platforms at price levels that have been mutually agreed by us and the e-commerce platforms, or at prices levels adopted by e-commerce platforms after considering our suggested retail price.

- *Logistics*. We are generally responsible for delivering our products to locations agreed between e-commerce platforms and us.

- *Transfer of risks*. The risks transfer to e-commerce platforms after they complete the inspection and confirm the receipt of our products. For consignment arrangements, the title to products and legal risks do not transfer to end-consumers until the products are sold and delivered to end-consumers and end-consumers, confirm receipt of products.

- *Return arrangement*. We typically do not allow product return except for limited reasons, including product quality issues, unmarketable goods, or products with low turnover rate. During the Track Record Period, we allowed unconditional product returns for a certain reputable e-commerce platform with a leading industry position, extensive consumer reach and high brand awareness.

- *Termination*. Either party generally has the right to terminate the contract with the other party if the other party breaches the sales and purchase agreement and fails to rectify such breach within a reasonable period of time.

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

Online Self-operated Stores

We also establish and run our self-operated stores on third-party e-commerce platforms and sell our products directly to consumers. We believe that establishing direct sales relationships with consumers enables us to better gauge their feedback on our products, and to gain more timely and accurate consumer insights, thus facilitating our upgrades of products and sales strategies. We have self-operated stores across multiple e-commerce platforms in China, primarily including JD.com and Tmall. Meanwhile, we have also been actively seeking sales opportunities on emerging e-commerce platforms to adapt to evolving consumer behavior patterns. In particular, we have increased our efforts in social e-commerce and launched self-operated stores on pioneering social e-commerce platforms. As of December 31, 2020, 2021 and 2022, we operated 38, 58 and 48 self-operated stores, respectively. In 2020, 2021 and 2022, we generated revenue of RMB263.9 million, RMB526.0 million and RMB486.9 million from online self-operated stores, respectively, representing 11.3%, 14.6% and 10.7% of our revenue during the same year, respectively. Our self-operated stores have been highly recognized on e-commerce platforms. In 2021, we won the Yearly Good Store (年度好店) and Yearly Store Growth (年度店舖成長) awards on JD.com, and the Excellent Self-broadcasting Store award (優秀店舖自播獎) on Tmall.

Modern Retail Channels

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

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

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

- *Duration.* The duration of the agreement is typically one year.

- *Sales and performance targets.* We generally do not set minimum purchase requirements for modern retail channel partners.

- *Payment and credit term.* We generally deliver products before receiving payments from our modern retail channel partners. Depending on the specific arrangements with the modern retail channel partners, our credit terms primarily include payment upon product acceptance, payment in accordance with billing cycles and payment before delivery.

- *Logistics.* We generally are responsible for the delivery of products to any address designated by our modern retail channel partners.

- *Transfer of risks.* The risks transfer to modern retail channel partners after they complete the inspection and confirm receipt of our products.

- *Return arrangement.* We typically do not allow our modern retail channel partners to return products except for limited reasons such as product quality issues. During the Track Record Period, we allowed unconditional product returns for certain reputable modern retail channel partners that has leading industry position, wide market penetration and high brand awareness. The level of product return from our modern retail channel partners is immaterial.

- *Termination.* The agreements will be terminated upon expiration, or by other means as set forth in the relevant agreements.

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

Direct Customers

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

Distribution Network

We also cooperate with distributors to increase the accessibility of our products. As of December 31, 2022, we had 602 distributors. In 2020, 2021 and 2022, we generated revenue of RMB103.6 million, RMB170.5 million and RMB240.8 million from distributors, respectively, representing 4.5%, 4.7% and 5.3% of our revenue during the same year, respectively. The table below sets out the total number of distributors and their movements for the periods indicated:

	Year ended December 31,		
	2020	**2021**	**2022**
Number of distributors at the beginning of the period	108	204	356
Number of new distributors for the period[1]	122	177	298
Number of terminated distributors for the period[2]	26	25	52
Net increase in number of distributors for the period	96	152	246
Number of distributors at the end of the period	204	356	602

Notes:

(1) New distributors refer to distributors that placed their first order with us in our system in a particular year or period.

(2) Terminated distributors refer to those that did not purchase our products for a given year or period.

During the Track Record Period, we mainly engaged new distributors in line with our business expansion, as we strived to enlarge our sales network coverage to provide our products to more consumers. In 2020, 2021 and 2022, we terminated cooperation with 26, 25 and 52 distributors, respectively. The termination decisions were made based on a number of factors such as sales performance.

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

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

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

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

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

Coordination among Sales Channels

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

- ***Product differentiation.*** We create differentiated brands and product categories in terms of price, design, specification and sales channels based on the development patterns of different channels and the needs of different target consumers.

- ***Tailored marketing campaigns.*** We formulate and carry out marketing campaigns and strategies by taking into account the performance of our overall online and offline sales networks, to avoid within-platform and cross-platform competition.

- ***Pricing control.*** We provide suggested retail prices to, or negotiate pricing with, e-commerce platforms, modern retail channel partners and distributors, to ensure the consistency of pricing among different sales channels.

Pricing

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

OUR PRODUCTION

Overview

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

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

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

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

Our Production Process

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

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

- *Cleaning*. Put the raw grain into a universal cleaning machine to remove impurities, then put it into destoners to remove stones of approximately the same size and shape as the grain kernels, and then put it into magnetic separators to remove magnetic metallic substances.

- *Hulling*. Put the cleaned raw grain into hullers to remove hulls, then put it into paddy rice separators to separate hulled rice and paddy, and then put it into thickness graders to remove unripe grain.

- *Milling*. Put the hulled rice into multiple rice machines to remove grain bran, then put it into a plansifter to grade it into head rice, broken rice fractions, tips and bran; and then put it into rice cooling bins for cooling with natural ventilation.

- *Polishing*. Put the milled rice into polishing machines to remove the aleurone layer to obtain clean rice with a smooth surface.

- *Sorting*. Put the polished rice into sorting equipment to remove defective kernels and impurities.

- *Grading and finishing*. Put the sorted rice into plansifters and length graders for further grading, and then put it into finished rice bins.

- *Packaging*. Put the finished rice into automatic packing systems for filling, vacuuming and sealing, and then put it into coding machines to print the packaging.

- *Inspection and storage*. Inspect the products according to quality control standards (including the presence of metal impurities, net weight of the finished product, sealing quality), and then box them for storage in warehouses.

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

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

Our Production Capacity

Our comprehensive value chain operation capabilities start with our competitive advantages in being located in proximity to renowned places of origin for raw materials. Through procurement of raw materials of premium quality, standardized production under strict quality control, we are able to provide consumers with premium products. As of December 31, 2022, we had established the following production bases in proximity to the five core grain production areas in China:

- ***Shenyang Xinmin production base.*** During the Track Record Period and up to the Latest Practicable Date, we primarily produced rice products, whole grain, bean and other products and dried food products at our Shenyang Xinmin production base.

- ***Wuchang production base.*** During the Track Record Period and up to the Latest Practicable Date, we primarily produced rice products at our Wuchang production base.

- ***Songyuan production base.*** Our Songyuan production base was put into operation in 2022. Since November 2022, and up to December 31, 2022, we primarily produced semi-finished goods for rice products at our Songyuan production base and we plan to further start production of finished products at our Songyuan production base.

- ***Tonghe production base.*** As of the Latest Practicable Date, the construction of our Tonghe production base was under progress, and we plan to further build the production lines therein.

- ***Aohan production base.*** Our Aohan production base began operation in 2022. Up to the Latest Practicable Date, we produced whole grain, bean and other products at our Aohan production base.

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

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

	Year Ended December 31,								
	2020			2021			2022		
Product category	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate
	(Tons in thousand, except percentage)								
Rice products	390.2	256.2	65.7%	765.0	440.7	57.6%	1,013.2	511.3	50.5%
Whole grain, bean and other products	40.5	29.4	72.6%	60.3	48.5	80.4%	102.6	61.3	59.7%
Dried food products	0.8	0.4	46.3%	1.4	0.9	66.2%	1.7	1.7	98.1%
Total	431.4	285.9	66.3%	826.7	490.1	59.3%	1,117.5	574.2	51.4%

Notes:

(1) The designed capacity for the year is annualized and calculated based on the following assumptions: (i) all production lines are functioning at full capacity; (ii) we operate 300 days per year; (iii) our production facilities at our Shenyang Xinmin production base and Aohan production base operate 18 hours per day, and those at our Wuchang production base operate 16 hours per day; and (iv) the average weight of our products is 5 kg.

(2) The actual production during the year is the total volume of the products produced during that year.

(3) The utilization rate during the year equals the actual production volume divided by the designed production capacity during the same year.

(4) The designed capacity for our rice products increased during the Track Record Period, primarily because we have actively expanded our production capacity to meet increased demands for our products by establishing and putting into operation more production lines during the same period. The utilization rate for our rice products decreased from 65.7% in 2020 to 57.6% in 2021, and then decreased to 50.5% in 2022, primarily due to the fast expansion in designed capacity and the temporary impact of the previous pandemic. See "Risk Factors – Our supply chain and our business may be materially and adversely affected by contamination, natural disasters, extreme weather, health epidemics, pandemics and other catastrophic events that are beyond our control."

(5) The designed capacity for our whole grain, bean and other products increased during the Track Record Period, primarily because we have actively expanded our production capacity to meet increased demands for our products by (a) establishing and putting into operation new production lines, and (b) putting our Aohan production base, where we produce whole grain, bean and other products, into operation in 2022. The utilization rate for our whole grain, bean and other products increased from 72.6% in 2020 to 80.4% in 2021, primarily due to the increase in actual production volume, partially offset by the increase in the designed production capacity; and then decreased to 59.7%, primarily due to the fast expansion in designed capacity and

the temporary impact of the previous pandemic. See "Risk Factors – Our supply chain and our business may be materially and adversely affected by contamination, natural disasters, extreme weather, health epidemics, pandemics and other catastrophic events that are beyond our control."

(6) The designed capacity for our dried food products increased during the Track Record Period, primarily because we have actively expanded our production capacity to meet increased demands for our products by establishing and putting into operation new production lines to meet the increased market demands for our products. The utilization rate for our dried food products increased from 46.3% in 2020 to 66.2% in 2021, and then increased to 98.1% in 2022, primarily due to the increase in actual production volume, partially offset by the increase in the designed capacity.

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

	Year Ended December 31,								
	2020			2021			2022		
Production base	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate
	(Tons in thousand, except percentage)								
Shenyang Xinmin production base	301.8	207.9	68.9%	639.5	366.1	57.3%	790.1	415.7	52.6%
Wuchang production base	129.6	78.0	60.2%	187.2	124.0	66.2%	295.0	150.0	50.9%
Aohan production base	–	–	–	–	–	–	32.4	8.6	26.5%
Total	431.4	285.9	66.3%	826.7	490.1	59.3%	1,117.5	574.2	51.4%

Notes:

(1) The designed capacity of our Shenyang Xinmin production base increased during the Track Record Period, primarily because we actively expanded our production capacity to meet increased demands for our products by establishing and putting into operation more production lines during the same period. The utilization rate of our Shenyang Xinmin production base decreased from 68.9% in 2020 to 57.3% in 2021, and then decreased to 52.6% in 2022, primarily due to the fast expansion in designed capacity and the impact of the previous pandemic. See "Risk Factors – Our supply chain and our business may be materially and adversely affected by contamination, natural disasters, extreme weather, health epidemics, pandemics and other catastrophic events that are beyond our control."

(2) The designed capacity of our Wuchang production base increased during the Track Record Period, primarily because we have actively expanded our production capacity to meet increased demands for our products by establishing and putting into operation more production lines during the same period. The utilization rate of our Wuchang production base increased from 60.2% in 2020 to 66.2% in 2021, primarily due to the increase in actual production volume, partially offset by the increase in the designed production capacity, and then decreased to 50.9% in 2022, primarily due to the fast expansion in designed capacity and the impact of the previous pandemic. See "Risk Factors – Our supply chain and our business may be materially and adversely affected by contamination, natural disasters, extreme weather, health epidemics, pandemics and other catastrophic events that are beyond our control."

(3) Our production capacity at Songyuan production base is not included, because we mainly produced semi-finished goods at our Songyuan production base since it was put into operation and up to December 31, 2022, which were subsequently transported to our other production bases for further processing.

(4) Our production capacity at Tonghe production base is not included, because as of the Latest Practicable Date, the construction of our Tonghe production base was under progress.

(5) Our Aohan production base was put into operation in 2022.

Our OEMs

In order to better meet market demands and ensure adequate supply for our diversified product offerings, we cooperate with reliable OEMs to produce a portion of products primarily for dealing with short-term demand surges (e.g. during the rice harvest season). We have strict criteria for selecting OEMs, including, among others, their credentials, management systems, production equipment, and production hygiene. We do not rely on any single OEM supplier, and we maintain good relationships with multiple OEM suppliers throughout the Track Record Period. We engage OEM suppliers on an annual basis and make orders, based on our demands and their delivery capabilities. We also require our OEM suppliers to comply with our internal guidelines and policies. We are entitled to terminate cooperation upon contract breach and their non-compliance with our guidelines and policies.

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

	Year Ended December 31,					
	2020		2021		2022	
	production volume	*%*	*production volume*	*%*	*production volume*	*%*
	(Tons in thousand, except percentage)					
Attributed to our internal production	285.9	95.4%	490.1	87.1%	574.2	84.9%
Attributed to OEM production	13.7	4.6%	72.3	12.9%	102.5	15.1%
Total	299.6	100.0%	562.4	100.0%	676.7	100.0%

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

Term. One year in general.

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

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

Further subcontracting. Further subcontracting is generally not allowed.

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

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

Production Techniques

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

Our Critical Machinery and Equipment

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

- Intelligent control system, which integrates production data into the control system to achieve whole process control of each machine and equipment of multiple production lines, including start, stop and troubleshooting.

- Rice huller, which is used to remove the outer husks of the paddy via gentle rubbing, after which the husk aspirator separates the husk from the rice by air aspiration.

- Automatic optimal sorter, which is used to remove defective kernel and impurities from rice. We use the SG6 ultraviolet color sorter in the last color sorting process in our production, which can automatically adjust the resolution ratio to effectively remove foreign matter from rice, thus ensuring food safety.

- Polishing machine, which is used to remove the aleurone layer from rice to increase the brightness and extend the shelf life of our products.

Our critical production machinery and equipment generally have useful lives of approximately 10 years. Based on our experience, such useful lives may be extended for longer period with appropriate repair and maintenance. In determining the useful life and residual value of our production machinery and equipment, we consider various factors, such as changes in market demand, production process and techniques and expected usage of the production machinery and equipment. The estimation of the useful life of production machinery and equipment is generally based on our experience with similar production machinery and equipment that are used in a similar way. As of December 31, 2022, the average remaining useful life and replacement cycle of our critical machinery and equipment was approximately 9.3 years.

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

Our Production Expansion Plan

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

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

Production Base	Product Category	Newly Extended Designed Annual Production Capacity	Estimated Year of Completion	Estimated Investment	Status as of the Latest Practicable Date
		(tons in thousand)		*(RMB in millions)*	
Shenyang Xinmin production base	rice products, and whole grain, bean and other products	113	2025	520.0	under planning

Production Base	Product Category	Newly Extended Designed Annual Production Capacity	Estimated Year of Completion	Estimated Investment	Status as of the Latest Practicable Date
		(tons in thousand)		*(RMB in millions)*	
Wuchang production base	rice products, and whole grain, bean and other products	185	2024	201.0	under planning
Songyuan production base	rice products, and whole grain, bean and other products	149	2026	106.0	under planning
Tonghe production base	rice products, and whole grain, bean and other products	205	2025	123.3	under planning
Aohan production base	whole grain, bean and other products	185	2025	92.5	under planning

We plan to allocate HK$[**REDACTED**] of [**REDACTED**] from the [**REDACTED**] to expand our production capacity. See "Future Plans and Use of [**REDACTED**]."

RAW MATERIALS, PACKAGING MATERIALS AND MAJOR SUPPLIERS

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

Our procurement schedule is made in adaption to the seasonality of raw materials. For example, we primarily purchase fresh rice from September to year end, which ensures the sufficient supply and the freshness of our raw materials. During the Track Record Period, we had not experienced any significant shortage of our raw materials.

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

Our Raw Materials

The key raw materials for most of our products are paddy. In addition, our raw materials also include whole grain and bean such as millet, red beans, and mung beans, dried food such as wood ear mushrooms, snow fungus mushroom and lotus seeds, and other raw materials such as corn. We procure most of our raw materials from renowned places of origin for grains in Northeast China. See "– Our Production." We require all raw materials to meet the standards set by competent Chinese government authorities and our quality standards.

Our Packaging Materials

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

Suppliers

To maintain the stability of our supply chain and the quality of raw materials, we maintain good relationships with agriculture raw material producer, rural cooperatives and small-scale farmers based on our good credit history, stable procurement demand and good business reputation. If raw materials or products provided by suppliers fail to meet national, or our own, standards, or our policies, we are generally entitled to terminate cooperation with them. In the event of a quality issue with our products caused by our supplier's substandard products, our suppliers shall be liable for compensation. Our major suppliers are raw materials suppliers and grain production and processing companies. During the Track Record Period, and up to the Latest Practicable Date, we had not experienced any material quality problems with the raw materials from our suppliers, or any shortage of raw materials. Purchases from our five largest suppliers for 2020, 2021 and 2022 accounted for 22.1%, 11.3%, and 10.3% of our total purchase amount, respectively. Purchases from our largest suppliers for 2020, 2021 and 2022 accounted for 8.4%, 5.4%, and 4.0% of our total purchase amount, respectively.

The following table sets forth the details of our five largest suppliers by purchase amount for 2020:

	Year ended December 31, 2020						
No.	Suppliers	Background	Products/services provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us	Credit terms granted by such such supplier
				(RMB thousands)			
1	Supplier B	a company engaged in grain purchase, processing and sales	raw materials	189,600	8.4	2017	advance payment/pay as goods received
2	Company A	a company operating e-commerce platforms	transportation services and promotional services	114,972	5.1	2013	advance payment/30 days after service received
3	Supplier C	a company engaged in grain purchase, processing and sales	raw materials	81,236	3.6	2019	advance payment/pay as goods received
4	Supplier D	a company engaged in grain purchase, processing and sales	raw materials	64,131	2.9	2015	advance payment/pay as goods received
5	Supplier E	a company engaged in grain purchase and processing	raw materials	48,190	2.1	2018	pay as goods received

The following table sets forth the details of our five largest suppliers by purchase amount for 2021:

	Year ended December 31, 2021						
No.	**Suppliers**	**Background**	**Products/services provided to us**	**Purchase amount**	**% of total purchase amount**	**Year of commencement of business relationship with us**	**Credit terms granted by such such supplier**
				(RMB thousands)			
1	Company A	a company operating e-commerce platforms	transportation services and promotional services	196,786	5.4	2013	advance payment/30 days after service received
2	Supplier C	a company engaged in grain purchase, processing and sales	raw materials	70,156	1.9	2019	advance payment/pay as goods received
3	Supplier E	a company engaged in grain purchase, processing and sales	raw materials	50,012	1.4	2018	pay as goods received
4	Supplier F	a company engaged in grain purchase, processing and sales	raw materials	46,510	1.3	2017	pay as goods received
5	Supplier G	a company engaged in grain purchase, processing and sales	raw materials	46,194	1.3	2021	pay as goods received

The following table sets forth the details of our five largest suppliers by purchase amount for 2022:

	Year ended December 31, 2022						
No.	Suppliers	Background	Products/services provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us	Credit terms granted by such such supplier
				(RMB thousands)			
1	Company A	a company operating e-commerce platforms	transportation services and promotional services	161,915	4.0	2013	advance payment/30 days after service received
2	Supplier D	a company engaged in grain purchase, processing and sales	raw materials	82,958	2.0	2015	advance payment/pay as goods received
3	Suppler H	a company engaged in grain purchase, processing and sales	raw materials	68,743	1.7	2021	advance payment
4	Supplier I	a company engaged in grain purchase, processing and sales	raw materials	57,432	1.4	2021	pay as goods received
5	Supplier J	a company engaged in grain purchase, processing and sales	raw materials	49,988	1.2	2020	advance payment/pay as goods received

Note:

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

Save as disclosed above, as of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or, to the knowledge of the Directors, had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

CUSTOMERS

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

The following table sets forth the details of our five largest customers by revenue for 2020:

Year ended December 31, 2020							
No.	**Customers**	**Background**	**Products sold**	**Revenue**	**% of our total revenue**	**Year of commencement of business relationship with us**	**Credit terms granted to such customer**
				(RMB thousands)			
1	Company A	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	984,097	42.3	2011	0-14 days
2	Customer B	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	624,699	26.8	2013	0-60 days
3	Customer C	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	45,574	2.0	2018	pays as goods received
4	Customer D	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	33,759	1.5	2018	7-40 days
5	Customer E	a company operating chain supermarkets	rice products, whole grain, bean and other products, dried food and other products	16,825	0.7	2020	15 days

The following table sets forth the details of our five largest customers by revenue for 2021:

	Year ended December 31, 2021						
No.	Customers	Background	Products sold	Revenue	% of our total revenue	Year of commencement of business relationship with us	Credit terms granted to such customer
				(RMB thousands)			
1	Company A	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	1,011,428	28.1	2011	0-14 days
2	Customer B	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	746,057	20.7	2013	0-60 days
3	Customer D	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	156,830	4.4	2018	7-40 days
4	Customer C	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	102,361	2.8	2018	pays as goods received
5	Customer E	a company operating chain supermarkets	rice products, whole grain, bean and other products, dried food and other products	73,128	2.0	2020	15 days

The following table sets forth the details of our five largest customers by revenue for 2022:

				Year ended December 31, 2022			
No.	**Customers**	**Background**	**Products sold**	**Revenue**	**% of our total revenue**	**Year of commencement of business relationship with us**	**Credit terms granted to such customer**
				(RMB thousands)			
1	Company A	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	1,217,145	26.9	2011	0-14 days
2	Customer B	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	822,710	18.1	2013	0-60 days
3	Customer D	a company operating e-commerce platforms	rice products, whole grain, bean and other products, dried food and other products	210,387	4.6	2018	7-40 days
4	Customer E	A company operating chain supermarkets	rice products, whole grain, bean and other products, dried food and other products	151,910	3.4	2020	15 days
5	Customer F	A company operating chain supermarkets	rice products, whole grain, bean and other products, dried food and other products	96,680	2.1	2021	pays as goods received

Note:

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

Save as disclosed above, as of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned, or to the knowledge of Directors had owned, more than 5% of our issued share capital) had any interest in any of our five largest customers.

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

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

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

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

FOOD SAFETY AND QUALITY CONTROL

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

Procurement Quality Control

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

Production Process Quality Control

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

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

Finished Products Quality Control

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

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

AFTER SALES SERVICE

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

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

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

LOGISTICS

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

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

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

INVENTORY MANAGEMENT

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

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

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

INFORMATION TECHNOLOGY

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

- **Our proprietary supply chain management system**: We have developed and implemented a supply chain management system to integrate resources along the supply chain, align value propositions with the aim to decrease our upfront costs, and establish and maintain mutually beneficial business relationships. We have developed most of the functional modules in-house based on our business needs, including inventory monitoring, order management, and transaction volume prediction, to aid our decision-making.

- **ERP system**: We utilize the enterprise resource planning ("**ERP**") system to effectively manage our orders from consumers. The ERP system integrates both online and offline orders and enables us to monitor the status of the orders, from the acceptance of the orders to the completion of their delivery, in real time.

- **TMS**: We utilize the transportation management system ("**TMS**") to plan and monitor our logistics. Leveraging the TMS, we plan our means and routes of transportation efficiently. It enables us to monitor the transportation of raw materials and products to avoid late delivery and control our logistics at a lower cost.

- **CRM system**: We utilize the customer relationship management ("**CRM**") system for marketing management system establishment and omnichannel marketing coordination to increase the efficiency of our sales and marketing activities.

- **Cloud office system**: We utilize the cloud office system to improve the efficiency of internal communication among our staff.

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

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

COMPETITION

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

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

INTELLECTUAL PROPERTY

Our intellectual property rights are key to our success and competitiveness. Our intellectual property rights primarily consist of trademarks, copyrights and domain names. As of the Latest Practicable Date, we had 391 registered trademarks, 24 copyrights and 16 domain names in China. See "Appendix VI – Statutory and General Information." We also protect our intellectual property rights through a series of confidentiality agreements or provisions with all of our employees.

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

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

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

EMPLOYEES

As of December 31, 2022, we had 2,231 full-time employees, the majority of whom are based in Shenyang, Wuchang and Beijing. The table below sets forth the number of our employees by functions as of December 31, 2022:

	Number of employees
Sales and marketing	489
Production and supply	1,419
Quality control	63
Finance, human resources, administration and others	260
Total	2,231

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

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

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

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

We are required under PRC law to make contributions to employee social insurance plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time. During the Track Record Period, since some of our employees, for example, those who are responsible for offline sales channel expansion and logistics, prefer their social insurance and housing provident funds to be paid at their respective resident places for convenience of utilizing such benefits locally, we engaged third-party agencies to pay social insurance and housing provident funds for them. As advised by our PRC Legal Adviser, pursuant to the PRC laws and regulations, we may be ordered to pay social insurance premium and housing provident funds for our employees under our own accounts instead of making payments under third-party accounts, and if the third-party human resources agencies fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required under applicable PRC laws and regulations, we may be ordered to rectify such failure by paying full contributions to social insurance and housing provident funds for our employees.

During the Track Record Period and as of the Latest Practicable Date, we did not pay social insurance and housing provident fund contributions in full amount for certain employees. The shortfall amount of social insurance and housing provident fund contributions is estimated to be RMB1.3 million, RMB4.8 million, and RMB8.1 million in 2020, 2021, and 2022 respectively. We have made provisions in the amounts of RMB1.3 million, RMB4.8 million and RMB8.1 million respectively for such aforementioned underpaid amount. We did not make full social security insurance for some of our employees primarily because they were unwilling to cooperate in making payments for such funds as they chose to participate in local rural social security systems offered in their place of residency. We did not make full housing provident fund contributions for some of our employees primarily because certain of our employees were not willing to contribute to housing provident funds for urban districts as they own homes in rural areas. According to Frost & Sullivan, it is common that employees living in rural areas are reluctant to make payment of social insurance and housing provident fund contributions.

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

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

- We monitor contribution of sale personnel paid by third party agency, and if such personnel reached a certain amount in a specific city, we would consider establish a subsidiary to open accounts for such employees.We are in the process of communicating with our employees with a view to seek their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees.

- We have established an internal control department to monitor our ongoing compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures.

- We will continuously review and monitor the reporting and contributions relating to the social insurance and housing provident funds and we will consult our PRC Legal Adviser for advice on relevant laws and regulations in China to keep us abreast of relevant regulatory developments. We undertake to maintain close communication with relevant authorities on a regular basis so as to understand their requirements and the interpretation of relevant rules and regulations, and make contributions to social insurance and housing provident funds in accordance with their specific guidance in a timely manner.

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

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

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

INSURANCE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

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

ESG Governance

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

ESG Governance Structure

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

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

ESG Policy and System

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

ESG Strategy and Issues

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

Focus areas	**Key action items**
Continuously offering premium, healthy and fresh products	• Implementing strict food safety and product quality standards and measures throughout our operations, covering steps from procurement, production, storage to sales, thus ensuring the high quality of our products • Developing nutrition-balanced products to meet consumers' increasing demands for healthy food • Leveraging our vertically integrated operations covering the entire value chain, thus offering consumers fresh products that retain natural taste and aroma

Focus areas	Key action items
Boosting the agricultural value chain development	• Empowering local farmers by creating more jobs and providing agricultural technical guidance for them • Continuously optimizing the modern agricultural industrial system to promote the agricultural transformation and upgrading • Actively promoting ecological farming, thus boosting economic and social development
Promoting employment and supporting employee career advancement	• Actively offering job opportunities for college students and farmers, thus promoting employment • Implementing comprehensive training systems and providing diversified and comprehensive trainings, thus enhancing our employees' technical skills and comprehensive performance • Leveraging our meritocracy-based incentive system to maintain sustainable development

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

ESG Risks and Opportunities

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

Social Responsibility

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

Food Safety and Product Quality

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

Nutrition and Health Opportunities

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

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

Occupational Health and Safety

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

In order to raise employees' safety awareness, we have taken a number of safety measures, including; (i) organizing activities such as periodical production safety education, occupational health and safety training, and safety lectures; (ii) cooperating with the local fire brigades to jointly conduct fire drills to improve our capability to respond to fire and other emergencies; (iii) equipping the canteens with televisions and playing videos on workplace safety; and (iv) rewarding employees who have raised valuable suggestions or made outstanding contributions to occupational health and safety.

Talent Cultivation and Development

We are also dedicated to providing equal opportunities in all aspects of employment and maintaining workplace that is free from discrimination, physical or verbal harassment against any employee on the basis of external factors including race, religion, color, gender, physical or mental disability, age, place of origin, marital status and sexual orientation. We have formulated a recruitment management system and a labor contract management system, to ensure that we comply relevant laws and regulations in China. Meanwhile, we have implement code of conducts in order to prohibit sexual harassment or workplace abuse.

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

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

Employment Promotion and Community Contribution

Underpinned by our full coverage of the entire industry chain, we actively promote ecological agriculture, develop multi-functional agriculture, empower the whole agricultural industry and improve agricultural transparency, thus contributing to rural revitalization and rural economy. We have built a number of warehouses adjacent to our Shenyang Xinmin production base and Wuchang production base to facilitate farmers and improve their efficiency. In addition, we also empower communities such as local farmers via procurement of raw materials. During the Track Record Period, we had total raw materials costs of RMB7,016.2 million.

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

- ***Boosting rural employment.*** We supported employment of local farmers and provided them with skill training, in order to improve their living standard.

- ***Agricultural technical guidance.*** We promoted sustainable farming methods to, shared quality rice seedlings with, and provided guidance and management for, local farmers, bringing them steadily increased yield and profit.

- ***Donations.*** In 2020, we donated over 60 tons of rice products to Wuhan Province to help fight the previous pandemic. In 2021, we donated 30 tons of Wuchang rice to Henan Province to support the people suffering from flooding.

- ***Visiting elderly people.*** We organized regular visits to elderly people in retirement homes, talking with them, giving them gifts and donating money and necessities to them.

- ***Rural community building.*** We repaired village offices and donated office supplies, such as computers, for two villages in Xinmin. We also donated flower seeds to local farmers in Xinmin to boost the local economy.

- ***Supporting women's development.*** We provided employment opportunities for women and supported the improvement of family status of rural women and their participation in society.

- ***Facilitating public reading.*** We donated RMB500,000 to build a city bookstore in Xinmin.

Environmental Protection

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

Energy Use and Carbon Emissions

We primarily use electricity, diesel, gasoline, natural gas and coal in our daily operations. Diesel is mainly used for raw grain handling equipment such as forklifts and shovel loaders and our own vehicles. Gasoline is mainly used for our own vehicles. Natural gas and coal consumption are mainly used for raw grain drying.

Committed to improving energy efficiency and reducing emissions, we have been actively engaged in energy structure optimization and energy-saving technology improvement. We have established energy management teams at our major production bases, such as our Wuchang production base, with the general managers of each production base coordinating energy supply, equipment management and energy consumption statistics. In 2021, we introduced an air source heat pump system at our Wuchang production base, which significantly improved thermal efficiency compared to the electric boiler heating. We are also gradually using electric forklifts to replace diesel forklifts, in order to reduce emissions.

Water Resources Management

Our water consumption mainly comes from production processes such as rice milling as well as our daily operations. The major sources of our water supply are municipal tap water and groundwater. We actively improve our water resources management system and inspect the implementation of our water intaking and water conservation measures. We promote the concept of water conservation to our employees, put up posters on water conservation in various places, and conduct inspections from time to time to avoid water wasting.

Packaging Material Use

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

Pollutants and Waste Management

Our waste gas emissions are mainly dust particles generated from raw grain processing, sulfur dioxide, nitrogen oxides and soot generated from coal-fired and gas-fired boilers, and exhaust gas generated from our own vehicles. Our general solid waste is mainly domestic waste generated from daily operations. We also generate a small amount of hazardous waste, mainly waste engine oil and waste diesel from forklifts and shovel loaders. We do not generate any industrial wastewater during our production process, and the wastewater generated from our daily operations is treated in the local sewage treatment plants through the municipal pipeline network.

We strictly comply with emission limits in the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) and the Emission Standard of Air Pollutants for Boiler (《鍋爐大氣污染物排放標準》). We have also formulated waste management policies and systems such as environmental protection management system and the hazardous waste management system, in order to properly manage various types of waste. Specifically, we have constructed dust removal equipment, exhaust stacks and dust collectors at each production base to ensure that dust particles are properly collected and disposed of, and we are equipped with integrated waste management facilities, we have engaged third-party institutions to regularly test the concentration of air pollutants in exhaust emissions to ensure that it is within the permissible range.

Addressing Climate Change

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

Our production bases and upstream origins are primarily located in Northeast China, which is at the middle-high-latitude region and the eastern end of Eurasia, a region significantly affected by climate change. Extreme weather events in Northeast China such as rainstorms, drought, extreme cold and frost may result in instability in agricultural production, resulting in our losses or increased operating costs. However, in the medium to long term, climate change may also lead to increased heat resources in Northeast China, which is beneficial for crop growth. We proactively identify and assess climate risks and opportunities, and integrate climate change risk identification, adaptation and mitigation into our decision-making process. We conduct extreme weather monitoring and early warning, and formulate and update disaster contingency plans in order to improve our capabilities of climate disaster prevention and management. We pay close attention to the trend of climate change, and design our production bases in a way that is appropriate to agro-climatic conditions. We use energy-efficient equipment, such as air source heat pump systems and electric forklifts, to reduce GHG emissions.

Land and Biodiversity

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

PROPERTIES

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

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

Owned Properties

As of the Latest Practicable Date, we use 13 parcels of land with an aggregate site area of approximately 578,513 sq.m. and a total aggregate gross floor area of approximately 132,547 sq.m. of buildings in China, which were primarily used for production and warehousing purposes. As of the Latest Practicable Date, five sites of buildings we owned, with an aggregate site area of approximately 147,416 sq.m., were under construction.

As of the Latest Practicable Date, we had not obtained the land use right certificates with an aggregate site area of approximately 33,250 sq.m. in our Shenyang Xinmin production base (the "**Xinchang Jinwutaizi Land**"), accounting for 5.75% of the land owned by us. We had not obtained the building ownership certificates and the planning and construction certificates for the buildings built thereon, with an aggregate gross floor area of approximately 13,508 sq.m (the "**Xinchang Jinwutaizi Site**"). During the Track Record Period, we primarily used the buildings on the Xinchang Jinwutaizi Land for production, warehousing and office use. The Xinchang Jinwutaizi Land is collectively owned land, among which, there are 17,260 sq.m. of agricultural land. As of the Latest Practicable Date, we had not completed the land grant process for the Xinchang Jinwutaizi Land, which is required under Land Administrative Laws of the PRC to complete the process of converting use from agricultural land to construction land. As advised by our PRC Legal Adviser, we may face the risks of (i) not being able to prove our title to the Xinchang Jinwutaizi Land for lack of land use right certificates if there arises a dispute over land ownership, (ii) being requested to rectify such incidents, demolish the buildings on the Xinchang Jinwutaizi Land and paying penalties for not obtaining planning and construction certificates, and (iii) being requested to restore the land for agricultural use and paying penalties for using agricultural land for construction use.

We have obtained a written confirmation jointly issued by the Xinmin Municipal Government and other regulatory authorities in 2022 (the "**2022 Confirmation**"), confirming that: (1) our use of the Xinchang Jinwutaizi Land is consistent with the general land planning in material respects and does not involve willful infringement of basic agricultural land; (2) we are allowed to use buildings on the Xinchang Jinwutaizi Land for production and business operations, and (3) the relevant regulatory authorities will not impose any administrative measures or penalties for our use of the Xinchang Jinwutaizi Land and the buildings thereon due to the aforementioned matters. We have further received a written confirmation issued by the Shenyang Natural Resources Bureau in 2023 (the "**2023 Confirmation**"), confirming that: (1) the Xinmin Municipal Government has independent authority for land administration matters; (2) it has not made any administrative punishment decisions with respect to our use of the Xinchang Jinwutaizi Land, and has not received any reports or complaints related thereto; and (3) there have been no administrative reconsideration or administrative litigation disputes between the Bureau and us currently pending administrative litigation or review. As advised by our PRC Legal Adviser, the above regulatory authorities are the competent authorities to supervise and examine our use of the Xinchang Jinwutaizi Land, as well as impose administrative penalties. Based on the 2022 Confirmation and 2023 Confirmation and the fact that the production contribution of the Xinchang Jinwutaizi Site amounted to 6.1% of our total sales volume in 2022, our PRC Legal Adviser is of the view that the risk that our business operations will be materially and adversely affected with respect to our use of the Xinchang Jinwutaizi Land is remote.

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

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

- we plan to provide regular training on applicable legal and regulatory requirements in relation to the use of real properties to our senior management. We will also remain in close communication with external legal counsel to understand the latest development of the relevant laws and regulations;

- during the site selection process, our legal department will check the land nature to ensure that collectively owned land, particularly agricultural land, will not be used for construction and production use before the completion of necessary approval processes; and

- prior to the commencement of the operation of a new production site, a designated person shall ensure all requisite approvals and permits have been obtained.

Leased Properties

As of the Latest Practicable Date, we leased lands located in six villages with an aggregate gross area of approximately 8,969,468 sq.m. and 31 buildings with an aggregate gross floor area of approximately 68,251 sq.m, respectively, which were primarily used for warehousing, dormitory and other business operations.

As of the Latest Practicable Date, among our 31 leased buildings, four lessors have failed to provide us their property ownership certificates or proof of authorizations from the property owners, and these buildings had accounted to an aggregate gross floor area of approximately 34,835 sq.m.. We believe that the reasons that the lessors failed to provide us with the relevant property ownership certificates or proof of authorizations are beyond our control. As advised by our PRC Legal Adviser, without valid property ownership certificates or proof of authorizations from the property owners, our use of these leased buildings may not be valid or may be affected by third parties' claims or challenges against the lease. In addition, if the lessors do not have the requisite rights to lease these buildings, we may be required to vacate these leased buildings and relocate our operational sites. However, in the event that we are unable to continue using these leased buildings, based on the advice of our PRC Legal Adviser, we, as the tenant, will not need to continue to pay the rents unless otherwise agreed between the tenant and the lessor. Additionally, it is the lessors' responsibility to obtain the property ownership certificates to enter into the leases, and, as a tenant, we will not be subject to any administrative punishment or penalties by the real estate authorities in this regard. These statutory protections significantly mitigate our risks arising from these leased properties due to claims for vacation from the legal owners of the properties.

Pursuant to the applicable laws and regulations in China, property lease agreements for leased buildings must be registered with the relevant real estate administration bureaus in China. As of the Latest Practicable Date, we had not registered the lease agreements for 30 of our leased buildings with the relevant competent authorities in accordance with applicable laws and regulations in China, which mainly due to owners' reluctance in registering relevant lease agreements despite our efforts in communicating such requests. Our PRC Legal Adviser advised us that the lack of registration does not affect the validity and enforceability of the lease agreements, but we may be subject to fines from RMB1,000 to RMB10,000 for each such lease agreement for failure to register.

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

LICENSES, APPROVALS AND PERMITS

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

As of the Latest Practicable Date, we had obtained the requisite licenses, approvals and permits from relevant authorities that are material to our operations in China and such licenses, approvals and permits were valid and remained in effect.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

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

Compliance

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to, aspects related to risk management, connected transactions and information disclosure;

- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in employee handbooks;

- organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;

- enhance our reporting and records system for production facilities, including centralizing their quality control and safety management systems and conducting regular inspections of the facilities;

- establish a set of emergency procedures in the event of major quality-related issues; and

- provide enhanced training programs on quality assurance and product safety procedures.

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

AWARDS AND RECOGNITIONS

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

Awards/Recognitions	**Award Year**	**Awarding Institutions/Authority**
Hurun China Food Industry Top 100	2022	Hurun Research Institute
New Force Brand	2022	Tmall Supermarket
A Hundred Million Club – Super Brand of 2022	2022	Tmall Supermarket
Best Partner	2022	JD Supermarket

Awards/Recognitions	Award Year	Awarding Institutions/Authority
Excellent Partner	2022	Meituan Instashopping
National Key Leading Enterprise of Agricultural Industrialization	2021	the Ministry of Agriculture and Rural Affairs of the People's Republic of China, and the National Development and Reform Commission
Top 500 Chinese Agricultural Enterprises	2021	Farmer's Daily
Most Potential Supplier	2021	Pagoda
JD Supermarket – Yearly Food and Beverage Bestseller – Top 10 Quality Product	2018	JD Supermarket

OVERVIEW

As of the Latest Practicable Date, Mr. Wang, Ms. Zhao, Shiyue Daotian Enterprise Management, Shiyue Jinfeng, Shiyue Zhongxin and Shenyang Hongsheng (the "**Controlling Shareholders Group**") are together entitled to control the exercise of 70% of the voting rights of our Company. Immediately following the completion of the [**REDACTED**], the Controlling Shareholders Group will be together entitled to control the exercise of approximately [**REDACTED**]% of the voting rights (assuming the [**REDACTED**] is not exercised) or approximately [**REDACTED**]% of the voting rights (assuming the [**REDACTED**] is exercised in full) and thus remain as a group of Controlling Shareholders of our Company. For details of the relationship among the Controlling Shareholders Group as well as their shareholding in the Company, please refer to "History, Development and Corporate Structure".

CONFIRMATION OF NO COMPETING INTERESTS

Each of member of our Controlling Shareholders Group confirms that, as of the Latest Practicable Date, he, she or it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS GROUP

Having considered the following factors, our Directors are satisfied that our business will function independently from the Controlling Shareholders Group and their respective close associates after the completion of the [**REDACTED**].

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board consists of five executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors believe that our Company is capable of maintaining management independence due to the following reasons:

(i) Mr. Wang and Ms. Zhao currently serve as an executive director and a supervisor of a member of our Controlling Shareholders Group, Shiyue Jinfeng, respectively. Shiyue Jinfeng, Shiyue Zhongxin and Shiyue Daotian Enterprise Management are shareholding platforms of the Controlling Shareholders Group. Shiyue Jinfeng acts as the general partner of Shiyue Zhongxin and Shiyue Daotian Enterprise Management and is mainly responsible for the management of these two partnerships. Save as listed above, Shiyue Jinfeng does not have any other business. In addition, neither Shiyue Zhongxin and Shiyue Daotian Enterprise Management has any business other than its shareholding in the Company. As such, in terms of management by Shiyue Jinfeng, there will be no conflict of interest between the business of the Company and the Controlling Shareholders Group. Other than above, our executive Directors and all our senior management members do not hold any management position and/or directorship in the Controlling Shareholders Group or its close associates as of the Latest Practicable Date;

(ii) each of our Directors is aware of his/her fiduciary duties as a director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(iii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and the Controlling Shareholders Group, the interested Directors shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

(iv) our Board has a balanced composition of executive Directors, non-executive Director and independent non-executive Directors which ensures the independence of our Board in making decisions affecting our Company. Specifically, all of our three independent non-executive Directors are independent of the Controlling Shareholders Group and have extensive experience in their respective areas of expertise. See "Directors, Supervisors and Senior Management". All of our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions; and

(v) upon completion of the [**REDACTED**], our Company will adopt a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders Group, which would support our independent management. See "– Corporate Governance Measures" in this section below for further information.

Therefore, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

Based on the above, the Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial responsibility in our Group independently.

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders Group and their respective close associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders Group and their respective close associates after [**REDACTED**]:

(i) we are not reliant on trademarks owned by our Controlling Shareholders Group, or by other companies controlled by our Controlling Shareholders Group;

(ii) we are the holder of all relevant licenses material to the operation of our business;

(iii) we have independent access to our customers and suppliers;

(iv) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders Group;

(v) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and

(vi) none of our Controlling Shareholders Group or their respective close associates have any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders Group.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders Group.

As of the Latest Practicable Date, we did not have any outstanding loans or non-trade balances granted, guaranteed or pledged by any of our Controlling Shareholders Group to us.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently from, and do not place undue reliance on, our Controlling Shareholders Group and their respective close associates after the [**REDACTED**].

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. Our Company would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders Group and their respective close associates upon [**REDACTED**]

(i) where a Board meeting is held for the matters in which any Director has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(ii) where a Shareholders' meeting involves proposed transactions in which the Controlling Shareholders Group or their respective close associates has a material interest, the Controlling Shareholders Group or their respective close associates will not vote on the resolutions and shall not be counted in the quorum in the voting;

(iii) our Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if our Company enters into connected transactions with the Controlling Shareholders Group or any of their respective close associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;

(iv) our Board will consist of a balanced composition of executive and non-executive Directors, including one-third of whom are independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;

(v) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 to the Listing Rules; and

(vi) we have appointed Gram Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders Group and/or Directors to protect minority Shareholders' rights after [**REDACTED**].

OVERVIEW

Upon [**REDACTED**], certain transactions between us and our connected persons, which are entered into in our ordinary course of business, will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Pursuant to Chapter 14A of the Listing Rules, our Directors, Supervisors, substantial shareholders and chief executive, any persons who were Directors within 12 months preceding the [**REDACTED**], directors, supervisors and chief executives of our subsidiaries (other than the insignificant subsidiaries) and any of their respective associates are connected persons of our Company.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, our Group entered into a number of continuing connected transactions including

(i) the warehouse rental agreement between Shenyang Xinchang and Shenyang Jinyinong Grain Trade Co., Ltd. (瀋陽金一農糧食貿易有限公司) ("**Shenyang Jinyinong**"), pursuant to which Shenyang Jinyinong agrees to provide warehouse rental services to Shenyang Xinchang. Shenyan Jinyinong is wholly owned by Mr. Guo Yang (郭陽), a nephew of Ms. Zhao (our executive Director), and therefore constitute a core connected person of the Company;

(ii) the paddy drying services agreement between Shenyang Xinchang and Shenyang Jinyinong, pursuant to which Shenyang Jinyinong agrees to provide paddy drying services to Shenyang Xinchang; and

(iii) certain of our Directors and/or their associates, from time to time, procure rice products from our major subsidiaries Shenyang Xinchang and Wuchang Caiqiao.

The aforementioned transactions are made in the ordinary and usual course of our business and are expected to continue after the [**REDACTED**], therefore constituting continuing connected transactions of our Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratios for the aforementioned transactions for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis, each of such transactions will constitute a de minimis continuing connected transaction of our Company that will be fully exempt from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into in our ordinary course of business and on normal commercial terms, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

OVERVIEW

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. All Directors are elected by the general meeting for a term of three years which is renewable upon re-election. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Articles of Association.

Our Supervisory Committee consists of three Supervisors, comprising two shareholder representative Supervisors and one employee representative Supervisor. The Supervisory Committee is responsible for supervising the performance of duty of the Board and the senior management of the Company and overseeing the financial conditions of the Company. The employee representative Supervisor is elected by our employees, while the shareholder representative Supervisors are elected at the Shareholders' general meetings. Our Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of the Group.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information of our Directors:

Name	Age	Position	Principal roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Mr. Wang	47	Co-founder, Chairman of the Board, Executive Director and General Manager	Responsible for the overall development strategies, business plans, major operational decisions and overall management of human resources of our Group	June 2005	August 2020	Spouse of Ms. Zhao, Brother-in-law of Ms. Zhao Shulan, Uncle of Mr. Shu Minghe

Name	Age	Position	Principal roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Ms. Zhao	43	Co-founder, Executive Director, Deputy General Manger and Chief Marketing Officer	Responsible for the overall branding and marketing of our Group	June 2005	August 2020	Spouse of Mr. Wang, Sister of Ms. Zhao Shulan, Aunt of Mr. Shu Minghe
Ms. Zhao Shulan	45	Executive Director and general manager of Wuchang Caiqiao	Responsible for the management of procurement and production of our Group	June 2013	May 2018 and August 2020	Sister-in-law of Mr. Wang, Sister of Ms. Zhao, Aunt of Mr. Shu Minghe
Mr. Shu Minghe	33	Executive Director and general manager of Shenyang Xinchang	Responsible for assisting the Chairman with the overall business strategy management of our Group	June 2013	August 2020	Nephew of Mr. Wang, Nephew of Ms. Zhao, Nephew of Ms. Zhao Shulan
Mr. Zou Hao	43	Executive Director and Chief Financial Officer	Responsible for the overall financial management of our Group	August 2022	December 2022	None
Mr. Chang Bin	42	Non-executive Director	Providing professional opinion and judgement to the Board	August 2020	August 2020	None
Mr. Shi Ketong	54	Independent non-executive Director	Supervising and providing independent judgment to the Board	March 2023	March 2023 (effective upon [REDACTED])	None
Mr. Yeung Chi Tat	53	Independent non-executive Director	Supervising and providing independent judgment to the Board	March 2023	March 2023 (effective upon [REDACTED])	None
Mr. Lin Chen	44	Independent non-executive Director	Supervising and providing independent judgment to the Board	March 2023	March 2023 (effective upon [REDACTED])	None

DIRECTORS

Executive Directors

Mr. Wang, aged 47, is the Co-founder, an executive Director, the Chairman of the Board and the General Manager of our Company.

Mr. Wang founded our Company in May 2018 and was appointed as the Chairman of the Board and a Director in August 2020. He was appointed as the General Manager of our Company in December 2022. Mr. Wang has nearly 20 years of experience in the pantry staple food industry. Mr. Wang entered into the pantry staple food industry in June 2005 when he was responsible for grain procurement at Shenyang Xinchang, serving as a procurement manager from June 2005 to September 2011, an operation director from October 2011 to December 2018 and the chairman of the board since December 2018. He founded Beijing Heyulongsheng in January 2013 and served as its manager from January 2013 to August 2021. Mr. Wang has also been a supervisor of Wuchang Caiqiao since April 2015. Mr. Wang also has served as an executive director of Shiyue Jinfeng since July 2020.

Mr. Wang graduated from Shenyang Chemical Industrial School in rubber technology in Liaoning Province, the PRC, in July 1998. Mr. Wang is currently studying at the Finance CEO Pioneer Program in Tsinghua University (清華大學) in Beijing, the PRC.

Ms. Zhao, aged 43, is the Co-founder, an executive Director, Deputy General Manager and Chief Marketing Officer of our Company.

Ms. Zhao was appointed as a Director in August 2020 and the Deputy General Manager and the Chief Marketing Officer in December 2022. She served as the General Manger of our Company from May 2019 to December 2022. Ms. Zhao has nearly 20 years of experience in the pantry staple food industry. Ms. Zhao entered into the pantry staple food industry in June 2005 when she served as a sales manager of Shenyang Xinchang from June 2005 to September 2011, a marketing director from October 2011 to December 2018 and a director since December 2018. She also a supervisor of Shiyue Jinfeng since July 2020.

Ms. Zhao graduated from Shenyang Chemical Industrial School in chemical trade economics in Liaoning Province, the PRC, in July 2000.

Ms. Zhao Shulan (趙淑蘭), aged 45, is an executive Director. She was appointed as a Director of our Company from the date of its establishment to May 2019 and re-appointed as a Director of our Company from August 2020. She has nearly 10 years of experience in the pantry staple food industry. She joined Beijing Heyulongsheng in January 2013 and has served as the executive director and general manager of Wuchang Caiqiao since April 2015, the legal representative of Shenyang Xinchang from November 2017 to December 2018, a director of Shenyang Xinchang since November 2017. She also served as a director and the general manager of Shiyue Daotian (Wuchang City) Food Co., Ltd., formerly known as Shiyue Daotian (Wuchang City) Plantation Co., Ltd. (十月稻田(五常市)種業有限公司), since June 2021, a supervisor of Tonghe County Caiqiao Rice Co., Ltd. since September 2021, and a director and the general manager of Wuchang City Qiuman Agriculture Co., Ltd. since September 2022.

Ms. Zhao Shulan graduated from School of Continuing Education of Harbin Institute of Technology (哈爾濱工業大學) in Heilongjiang Province, the PRC, in April 2018. She was awarded as an Agricultural Products E-commerce Pioneer by Department of Agriculture and Rural Affairs of Heilongjiang Province (黑龍江省農業農村廳農產品電商大王) and a Model Worker of the 37th session of Harbin (哈爾濱市第37屆勞動模範) in 2019, and an Excellent Leader of Rural Industry Development in Wuchang City(五常市鄉村產業發展優秀帶頭人) in 2021. Ms. Zhao Shulan also has been elected as the representative of the 16th People's Congress of Harbin from January 2022.

Mr. Shu Minghe (舒明賀), aged 33, is an executive Director. He was appointed as a Director of our Company in August 2020, and has nearly 10 years of experience in the pantry staple food industry. He joined Beijing Heyulongsheng in January 2013 and served as a director and the general manager of Shenyang Xinchang since December 2018, and an executive director and the manager of Shiyue Daotian (Aohanqi) Agricultural Technology Co., Ltd. since December 2020. In addition, he served as a director of Shiyue Daotian Songyuan Agricultural Technology Co., Ltd. from April 2021 to May 2022. He has also been serving as a director and the manager of Sukuaibang Shenyang Supply Chain Technology Co., Ltd. since June 2021, and a director of Tonghe County Caiqiao Rice Co., Ltd. since September 2021.

Mr. Shu Minghe graduated from the Open University of China (國家開放大學) in Administrate Management in Beijing, the PRC, in July 2021.

Mr. Zou Hao (鄒昊), aged 43, is an executive Director. He has joined our Group since August 2022 and was appointed as a Director and the Chief Financial Officer of our Company in December 2022. Mr. Zou has nearly 20 years of experience in financing, investment, management and operation of assets management companies and other matters relating to corporate finance and investment. Before joining the Group, Mr. Zou served as an accountant at KPMG Huazhen LLP (畢馬威華振會計師事務所) from 2002 to 2005. From 2005 to 2011, Mr. Zou successively served as an analyst at the Beijing office of Investment Banking Department of Deutsche Bank AG, an associate at BOC International Asia Limited (中銀國際控股有限公司) and an associate at the Hong Kong office of Investment Banking Department of Deutsche Bank AG. From March 2011 to February 2016, Mr. Zou consecutively served as a vice president and an executive director of ICBC International Holdings Limited (工銀國際控股有限公司). He worked as a managing director of Zhongrong International Capital Management Limited (中融國際資本管理有限公司) from February 2016 to January 2017, and the chief executive officer of Hwabao WP Asset Management (Hong Kong) Co., Ltd. (華寶資產管理(香港)有限公司) from July 2017 to June 2019. From December 2019 to March 2021, Mr. Zou served as the co-president, chief financial officer, board secretary and a joint company secretary of Sichuan Languang Justbon Services Group Co., Ltd. (formerly listed on the Main Board of the Stock Exchange (stock code: 2606) and delisted on August 19, 2021 due to unconditional mandatory cash offer takeover). Subsequent to that, Mr. Zou served as the chief financial officer of Shanghai Sunrise Equity Investment Fund Management Co., Ltd. (上海晨曦股權投資基金管理有限公司) from September 2021 to August 2022.

Mr. Zou received his bachelor's degree in Economic Information Management from Renmin University of China (中國人民大學) in Beijing, the PRC, in July 2002 and his MBA degree from the Hong Kong University of Science and Technology in Hong Kong in November 2008. Mr. Zou became a chartered financial analyst charterholder of the CFA Institute since October 2017.

Non-executive Director

Mr. Chang Bin (常斌), aged 42, is a non-executive Director. He has been a Director of our Company since August 2020. Mr. Chang served as a senior consultant of Deloitte Enterprise Consulting (Shanghai) Co., Ltd. Beijing branch (德勤企業諮詢(上海)有限公司北京分公司) from October 2004 to September 2006, a principal of Capital Today China Growth (HK) Limited (今日資本(香港)有限公司), from September 2006 to October 2013, and a vice president of Beijing Jingdong Century Trading Co., Ltd. (北京京東世紀貿易有限公司) from November 2013 to May 2020. He is the founder and has been serving as the managing partner of GenBridge Capital since December 2016.

Mr. Chang received his bachelor's degree in international trade from Peking University (北京大學) in Beijing, the PRC, in July 2002. He holds the fund qualification from Asset Management Association of China (中國證券投資基金業協會) since July 2018.

Independent Non-executive Directors

Mr. Shi Ketong (史克通), aged 54, was appointed as an independent non-executive Director in March 2023, effective from the [**REDACTED**]. Mr. Shi is a senior partner of the Beijing office of Jincheng & Tongda Law Offices (金誠同達律師事務所) where he has been a full-time lawyer since 1994 and has accumulated over 20 years of experience in providing legal services to clients on PRC corporate investment, stock issuance and listing, mergers and acquisitions, restructuring and liquidation. Prior to joining Jincheng & Tongda Law Offices, he practised law at King & Capital Law Firm (京都律師事務所) in Beijing from 2000 to 2001 and at Shandong Luzhong Law Offices (山東魯中律師事務所). Mr. Shi has also been a director of Beijing Legal Aid Foundation since August 2018.

He has been serving as a director of Beijing Public Transport Holdings (Group) Ltd. (北京公共交通控股(集團)有限公司) since February 2015, an independent director of Bohai Industrial Investment Fund (渤海產業投資基金管理有限公司) since November 2016, an independent director of Aimer Co., Ltd. (愛慕股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 603511) since January 2020, and an independent director of Guotou Taikang Trust Co., Ltd. (國投泰康信託有限公司) since December 2021. Mr. Shi served as an independent non-executive director of China Zhongwang Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1333) from August 2008 to October 2021, an independent director of UBS SDIC Fund Management Co., Ltd. (國投瑞銀基金管理有限公司) from April 2012 to April 2021, a director of Shandong Hongcheng Bond Financial Leasing Co., Ltd. (山東宏程邦德融資租賃有限公司) from January 2014 to November 2018, an independent director of Whole Easy Internet Technology Co., Ltd. (眾應互聯科技股份有限公司) (previously known as Kunshan Jinli Surface Material Application Technology Co., Ltd. (昆

山金利表面材料應用科技股份有限公司)), whose shares were formerly listed on the Shenzhen Stock Exchange and delisted on June 28, 2022 (stock code: 002464) from June 2015 to September 2019, an independent director of Chongqing Broadcasting Digital Medial Co., Ltd. (重慶廣電數字傳媒股份有限公司) from December 2015 to November 2019, and an independent director of Zhongrun Resources Investment Incorporated Company (中潤資源投資股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000506) from September 2020 to December 2021.

Mr. Shi received a bachelor's degree in economic law from China University of Political Science and Law (中國政法大學), China in 1992. He received the Lawyer's Practise License from Department of Justice in Shandong (山東省司法廳) in 1994.

Mr. Yeung Chi Tat (楊志達), aged 53, was appointed as an independent non-executive Director in March 2023, effective from the [**REDACTED**]. Mr. Yeung has approximately 30 years of experience in audit, financing and accounting industries. Mr. Yeung currently is the President of the Hong Kong Independent Non-executive Director Association. He has also been the chief financial officer and the company secretary of Solargiga Energy Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0757), since December 2021. Mr. Yeung has been serving as an independent non-executive director of Sitoy Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1023), since November 2011, Birmingham Sports Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2309), since November 2019, and New Hope Dairy Holdings Co., Ltd. (新希望乳業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002946), since December 2016.

Prior to joining our Group, Mr. Yeung had positions in various companies, including the Hong Kong office of KPMG as an audit manager, Dynasty Fine Wines Group Limited, a company listed on the Stock Exchange (stock code: 0828) as financial controller and the company secretary, and ANTA Sports Products Limited, a company listed on the Stock Exchange (stock code: 2020) as a vice president. After that, Mr. Yeung served as the chief financial officer at Bonjour Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0653), from July 2020 to January 2021. Mr. Yeung also served as an independent non-executive director of ANTA Sports Products Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2020), from February 2007 to June 2018, Boer Power Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code:1685), from September 2010 to June 2020, and Guodian Technology & Environment Group Corporation Limited (formerly listed on the Hong Kong Stock Exchange (stock code: 1296) and delisted on May 30, 2022) from August 2017 to June 2022.

Mr. Yeung holds a bachelor's degree in Business Administration from The University of Hong Kong in November 1993 and a master's degree in Professional Accounting with distinction from The Hong Kong Polytechnic University in 2004. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since December 2003, the Association of Chartered Certified Accountants since September 2002 and the Institute of Chartered Accountants in England and Wales since October 2017, respectively.

Mr. Lin Chen (林晨), aged 44, was appointed as an independent non-executive Director in March 2023, effective from the [**REDACTED**]. Mr. Lin has served as director of CNCB (Hong Kong) Investment Limited since April 2022 and China Merchants Land Asset Management Co., Limited (the manager of China Merchants Commercial REIT, a company listed on the Hong Kong Stock Exchange (stock code: 1503) since December 2019. Mr. Lin has been the Chair of Finance, Stelux Professor in Finance (since August 2013), and Associate Vice President (since January 2023) of The University of Hong Kong.

Mr. Lin obtained a bachelor's degree in Engineering from the South China University of Technology (華南理工大學) in Guangdong, the PRC, in July 2000 and an MBA in May 2004, M.A. in August 2005 and Ph.D. in August 2006 from University of Florida in Florida, the United States. He is an advisory member of the Hong Kong Institute for Monetary and Financial Research of the Hong Kong Monetary Authority since 2019, a member of the Hang Seng Index Advisory Committee and a member of the Fintech Advisory Group of Hong Kong SFC since 2021, a Member of the Academia Europaea since 2022 and a Fellow of the Academy of Social Sciences, UK since 2023. Mr. Lin also served as a member of the Currency Board Sub-Committee of the Exchange Fund Advisory Committee of Hong Kong from 2016 to 2022.

BOARD OF SUPERVISORS

The following table sets forth certain information of our Supervisors:

Name	Age	Position	Principal roles and responsibilities	Date of joining our Group	Date of appointment as Supervisor	Relationship with other Directors, Supervisors and senior management
Mr. He Yang	39	Supervisor	Supervising the Board and senior management as well as operation and financial activities of our Company	September 2020	December 2022	None
Mr. Li Xiang	33	Supervisor	Supervising the Board and senior management as well as operation and financial activities of our Company	May 2020	December 2022	None
Ms. Wang Zhijuan	39	Supervisor	Supervising the Board and senior management as well as operation and financial activities of our Company	January 2017	December 2022	None

Mr. He Yang (何洋), aged 39, has been a Supervisor since December 2022. Mr. He joined our Group in September 2020, serving as the director of Human Resources Department of our Company since then. Prior to joining our Group, Mr. He served as a Human Resources director of meat product and farming department and a director of Human Resources Business Partner at COFCO Joycome Foods Limited (formerly known as COFCO Meat Holdings Limited, a company listed on the Hong Kong Stock Exchange, stock code: 1610) from August 2009 to December 2017. He served as a manager of Human Resources Department and assistant manager of consumer product department at COFCO Tunhe Tomato Co., Ltd. (中糧屯河番茄有限公司) from January 2018 to September 2020.

Mr. He received his bachelor's degree in Human Resources Management from Northeast Normal University (東北師範大學) in Jilin Province, the PRC, in September 2007 and his master's degree in Human Resources Management from Remin University of China in Beijing, the PRC, in June 2009. He holds the title of a senior human resources manager from Ministry of Human Resources and Social Security of the PRC (中華人民共和國社會保障部) in September 2014, an intermediate economist from Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局) in April 2015, and a certified management accountant of Institute of Management Accountant of the United States in September 2019.

Mr. Li Xiang (李響), aged 33, has been a Supervisor of our Company since December 2022. Mr. Li joined our Group in May 2020, serving as a supermarket operation director since then. Prior to joining our Group, Mr. Li worked in Beijing Carrefour (Fangyuan Store) Commercial Co., Ltd. (北京家樂福商業有限公司方圓店) from August 2012 to November 2013. He worked in Beijing Carrefour Commercial Co., Ltd. (北京家樂福商業有限公司) from December 2013 to April 2015, and in Carrefour (China) Management Consulting Services Co., Ltd. Beijing Branch (家樂福(中國)管理諮詢服務有限公司北京分公司) from May 2015 to May 2017, a procurement manager in Beijing Jingdong Century Trading Co., Ltd. from June 2017 to July 2019, and an operation manager of e-commerce platform in Guangdong Beyond Internet Technology Co., Ltd. (廣東佰悦網絡科技有限公司) from August 2019 to January 2020.

Mr. Li obtained his bachelor's degree in software engineering from Beijing University of Chemical Technology North College (北京化工大學北方學院) in Beijing, the PRC, in July 2012.

Ms. Wang Zhijuan (王志娟), aged 39, has been a Supervisor since December 2022. Ms. Wang served as an accountant at Beijing Shenglong Trade Co., Ltd. (北京晟隆商貿有限責任公司) from June 2007 to November 2009 and an accountant at Symfun Telecom Co., Ltd. (北京訊風光通信技術開發有限責任公司) from November 2009 to May 2011. She worked at Guangdong Dayipin Agriculture Technology Co., Ltd. Beijing Branch (廣東大一品農業科技有限公司北京分公司) from October 2011 to November 2014. She also served as a finance accountant at Beijing Magic Universe Network Co., Ltd. (北京神奇時代網絡有限公司) from December 2014 to January 2015, a finance manager at Sanhe WODA Hydraulics Control System Ltd. (三河沃達液壓控制系統有限公司) from March 2016 to December 2016, a finance manager at Beijing Heyulongsheng from January 2017 to April 2021, an accountant manager from May 2021 to July 2021 and an administrative director since August 2021 of Shiyue Daotian (Beijing) Technology Development Co., Ltd.

Ms. Wang received her bachelor's degree in economics from Southwest University (西南大學) in Chongqing, the PRC, in June 2007. She holds the title of intermediate accountant from Beijing Human Resources and Social Security Bureau since January 2016.

Save as disclosed in this document, none of our Directors and Supervisors (i) held any other positions in our Company or any other members of our Group as of the Latest Practicable Date; (ii) had any other relationship with any Directors, Supervisors, senior management or Controlling Shareholders of our Company as of the Latest Practicable Date; (iii) held any directorship in any other listed companies in the three years immediately prior to the date of this document or (iv) had any other matters with respect to his/her appointment that need to be brought to the attention of our Shareholders or any information that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of the Group:

Name	Age	Position	Principal roles and responsibilities	Date of joining our Group	Date of appointment as Senior Management	Relationship with other Directors, Supervisors and senior management
Mr. Wang	47	Co-founder, Chairman of the Board, Executive Director and General Manager	Responsible for the overall development strategies, business plans, major operational decisions and management of human resources of our Group	June 2005	December 2022	Spouse of Ms. Zhao, Brother-in-law of Ms. Zhao Shulan, Uncle of Mr. Shu Minghe
Ms. Zhao	43	Co-founder, Executive Director, Deputy General Manger and Chief Marketing Officer	Responsible for the overall branding and marketing of our Group	June 2005	December 2022	Spouse of Mr. Wang, Sister of Ms. Zhao Shulan, Aunt of Mr. Shu Minghe
Mr. Zou Hao	43	Executive Director and Chief Financial Officer	Responsible for management of finance and capital of our Group	August 2022	December 2022	None
Ms. Chen Hua	45	Board Secretary and Joint Company Secretary	Responsible for corporate governance, information disclosure and investor relationship management of our Group	December 2018	December 2022	None

Mr. Wang (王兵) is our General Manager. For the biographical details of Mr. Wang, see "– Directors – Executive Director".

Ms. Zhao (趙文君) is the Deputy General Manager and Chief Marketing Officer of our Company. For the biographical details of Ms. Zhao, see "– Directors – Executive Director".

Mr. Zou Hao (鄒昊) is the Chief Financial Officer of our Company. For the biographical details of Mr. Zou Hao, see "– Directors – Executive Director".

Ms. Chen Hua (陳華), aged 45, is the board secretary since December 2022 and a joint company secretary of our Company. Ms. Chen is responsible for corporate governance, information disclosure and investor relationship management of our Group. She served as a director of Shenyang Xinchang since December 2018 and the finance manager of Shiyue Daotian (Beijing) Technology Development Co., Ltd. since April 2021. Prior to joining our Group, Ms. Chen served as accountant at Beijing Shenglong Trade Co., Ltd. from August 2001 to June 2009, worked as the finance manager of Apollo Technology Trade (Beijing) Co., Ltd. (阿柏龍科貿(北京)有限公司) from June 2012 to June 2017 and served as the finance manager of Beijing Junsheng Xinyue Trade Co., Ltd. (北京君盛欣悦貿易有限公司) from September 2017 to May 2020.

Ms. Chen received a college diploma in marketing from Dalian Jiaotong University (大連交通大學) (formerly known as Dalian Railway College (大連鐵道學院)) in Liaoning Province, the PRC, in July 1999 and received her bachelor's diploma in accounting from Northeast Finance University (東北財經大學) in Liaoning Province, the PRC, in 2004. She holds the title of an intermediate accountant from Beijing Municipal Human Resources and social security bureau in 2005, a tax agent from Beijing Certified Tax Agents Association (北京註冊稅務師協會) in 2016, and a certified management accountant from Institute of Management Accountants of the United States in 2022.

JOINT COMPANY SECRETARIES

Ms. Chen Hua (陳華) is the board secretary and a joint company secretary of our Company. For the biographical details of Ms. Chen Hua, see "– Senior Management".

Ms. Oh Sim Yee (胡倩鍸) is the joint company secretary of our Company. Ms. Oh is an assistant manager of Corporate Secretarial Department of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司) and has over nine years of experiences in corporate secretarial field.

Ms. Oh is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom since 2017. Ms. Oh holds a bachelor of Business degree in accounting from Victoria University, Australia.

COMPETING INTERESTS

As of the Latest Practicable Date, none of our Directors (other than our independent non-executive Directors) had interests in any business, which competes or is likely to compete, either directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

BOARD COMMITTEES

Our Company has established three Board Committees in accordance with the relevant PRC laws and regulations, the Articles and the corporate governance practice under the Listing Rules, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established Audit Committee in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three non-executive Directors, namely Mr. Yeung Chi Tat, Mr. Chang Bin and Mr. Shi Ketong. Mr. Yeung currently serves as the chairman of the Audit Committee. The primary duties of the Audit Committee are as follows:

(i) to make recommendations to the Board on the appointment, replacement and removal of an external auditor, consider and approve the remuneration and terms of engagement of an external auditor and any questions of its resignation or dismissal;

(ii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(iii) to develop and implement policies on engaging an external auditor to provide non-audit services;

(iv) to review and supervise the truthfulness, completeness and correctness of financial statement, annual report and accounts and half-year report;

(v) to review the financial policy, risk management and internal control evaluation system of the Company;

(vi) to facilitate communications between the internal audit department and the external auditor; and

(vii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

Remuneration Committee

We have established Remuneration Committee in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Mr. Shi Ketong, Mr. Wang and Mr. Yeung Chi Tat. Mr. Shi currently serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are as follows:

(i) to organize and formulate the remuneration policy and plan of Directors and senior management with reference to their main duties, scope, importance, time commitment and salary level of relevant positions. The remuneration plan and policy mainly include but are not limited to performance evaluation standards, procedures and main evaluation systems, and main plans for rewards and punishments, and shall include benefits in kind, pension rights and compensation payments (including compensation for loss or termination of their office or appointment);

(ii) to make recommendations to the Board on the remuneration packages of the executive Directors and senior management;

(iii) to make recommendations to the Board on the remuneration of non-executive directors;

(iv) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Group;

(v) to study and make recommendations to the Board on the appraisal criteria for Directors and senior management, review the performance of Directors (excluding independent non-executive Directors) and senior management and conduct annual performance appraisals;

(vi) to review and approve the compensation payable to the executive Directors and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

(vii) to review and approve the compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

(viii) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(ix) to supervise the implementation of the remuneration procedures and review the relevant remuneration policies on a regular basis; and

(x) to review and/or approve relevant share schemes as set out in Chapter 17 of the Listing Rules.

Nomination Committee

We have established Nomination Committee in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. Wang, Mr. Shi Ketong and Mr. Lin Chen. Mr. Wang currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are as follows:

(i) to review the size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy;

(ii) to formulate the corporate governance policies and standards, monitor the implementation, and make recommendations to the Board;

(iii) to examine the select standards and procedures of directors and senior management and make recommendation to the Board, and supervise the training and development plan of directors and senior management;

(iv) to identify individuals suitably qualified to become board members and select and make recommendations to the Board on the selection of individuals nominated for directorships;

(v) to assess the independence of the independent non-executive Directors;

(vi) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman of the Board and the general manager); and

(vii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

BOARD DIVERSITY POLICY

Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

Our Board currently consists of two female Directors and seven male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance, accounting and risk management. The Company is of the view that the Board satisfies our board diversity policy.

Our Nomination Committee is responsible for the implementation of our board diversity policy. Upon completion of the [**REDACTED**], our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management members receive remuneration in the forms of salaries, allowances, contribution to pension schemes, discretionary bonuses and other benefits in kind.

The aggregate amount of remuneration (including salaries, allowances, contribution to pension schemes and discretionary bonuses) and other benefits in kind paid to our Directors and Supervisors for the three years ended December 31, 2022 were RMB2,215,000, RMB171,613,000 and RMB755,910,000, respectively, which included nil, RMB168,614,000 and RMB734,509,000, respectively in the form of share-based payment.

Under the arrangements currently in force, the aggregate amount of remuneration (including any discretionary bonus which may be paid) payable by our Group to our Directors and Supervisors for the financial year ending December 31, 2023 is expected to be approximately RMB9.25 million.

The aggregate amount of fees, salaries, allowances, discretionary bonus, pension schemes contribution and other benefits in kind (if applicable) paid to the five highest-paid individuals of our Group for the three years ended December 31, 2022 were RMB2,273,000, RMB189,616,000 and RMB751,784,000, respectively.

During the Track Record Period, there was no remuneration paid or payable by our Company to our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. During the Track Record Period, there was no compensation paid or payable by our Company to our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any remuneration or benefits in kind for the past three years. Save as disclosed above, there was no other payments paid or payable by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules after the [**REDACTED**].

Pursuant to code provision C.2.1 of Part II of the Corporate Governance Code, the roles of chairman and general manager should be separate and should not be performed by the same individual. However, our Company does not have a separate chairman and general manager and the responsibility of both Chairman and General Manager vest in Mr. Wang. Our Board believes that vesting the responsibilities of both Chairman and General Manager in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Besides, with three independent non-executive Directors out of a total of nine Directors in our Board, there will be sufficient independent voice within our Board to protect the interests of our Company and our Shareholders as a whole. Therefore, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and general manager of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

COMPLIANCE ADVISER

We have appointed Gram Capital Limited as our compliance adviser (the "**Compliance Adviser**") upon the [**REDACTED**] pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. The Compliance Adviser will, among other things:

(i) act as our compliance adviser for the purpose of Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules for a period commencing on the [**REDACTED**] and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**], or until the agreement is terminated, whichever is earlier;

(ii) provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, regulations and rules;

(iii) as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules in Hong Kong applicable to the Company; and

(iv) act as an additional channel of communication of the Company with the Hong Kong Stock Exchange.

OUR SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB101,474,565, comprising 101,474,565 Shares with a nominal value of RMB1.00 each.

Upon the Completion of the [REDACTED]

Upon [**REDACTED**], the ordinary shares of the Company will be split on a one for ten basis, and the registered share capital of the Company became RMB101,474,565 divided into 1,014,745,650 Shares of par value RMB0.10 each, all of which are fully paid up.

Immediately after the [**REDACTED**] and Conversion of Domestic [**REDACTED**] Shares into H Shares (assuming the Share Split is completed and the [**REDACTED**] is not exercised), the share capital of the Company will be as follows:

Description of Shares	**Number of Shares**	**Approximate % of the enlarged issued share capital after the [REDACTED]**
Domestic [**REDACTED**] Shares	811,852,700	[**REDACTED**]%
H Shares converted from Domestic [**REDACTED**] Shares	202,892,950	[**REDACTED**]%
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	100.00%

Immediately after the [**REDACTED**] and Conversion of Domestic [**REDACTED**] Shares into H Shares (assuming that the Share Split is completed and the [**REDACTED**] is fully exercised), the share capital of the Company will be as follows:

Description of Shares	**Number of Shares**	**Approximate % of the enlarged issued share capital after the [REDACTED]**
Domestic [**REDACTED**] Shares	811,852,700	[**REDACTED**]%
H Shares converted from Domestic [**REDACTED**] Shares	202,892,950	[**REDACTED**]%
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	100.00%

DOMESTIC [REDACTED] SHARES AND H SHARES

Upon the completion of the [**REDACTED**] and the Conversion of Domestic [**REDACTED**] Shares into H Shares, the Shares will consist of Domestic [**REDACTED**] Shares and H Shares. Domestic [**REDACTED**] Shares and H Shares are all ordinary Shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic [**REDACTED**] Shares held by whom will be converted into H Shares according to the approval of the CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic [**REDACTED**] Shares and H Shares shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic [**REDACTED**] Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF DOMESTIC [REDACTED] SHARES INTO H SHARES

If any of the Domestic [**REDACTED**] Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, [**REDACTED**] and [**REDACTED**] will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

Register with the CSRC and Full Circulation Application

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share [**REDACTED**] companies which apply for the conversion of domestic [**REDACTED**] shares into H shares for [**REDACTED**] and circulation on the Hong Kong Stock Exchange shall register with the CSRC by filing materials on key compliance issues. An [**REDACTED**] domestic joint stock company may apply for "full circulation" when applying for an overseas [**REDACTED**].

[We have filed with the CSRC for, and the CSRC has registered the conversion of 202,892,950 Domestic [**REDACTED**] Shares into H Shares on a one-for-one basis ("**Conversion of Domestic** [**REDACTED**] **Shares into H Shares**") upon the completion of the [**REDACTED**] (assuming the Share Split is completed) ("**Full Circulation Application of the Company**").]

[REDACTED] Approval by the Hong Kong Stock Exchange

We have applied to the [**REDACTED**] of the Hong Kong Stock Exchange for the granting of [**REDACTED**] of, and [**REDACTED**], our H Shares to be issued pursuant to the [**REDACTED**] (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]), and the H Shares to be converted from 202,892,950 Domestic [**REDACTED**] Shares on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the conversion of Domestic [**REDACTED**] Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS.

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

In accordance with Article 141 of the PRC Company Law, the shares issued prior to any [**REDACTED**] of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the [**REDACTED**] will be subject to such statutory restriction on transfer within a period of one year from the [**REDACTED**]. See "History, Development and Corporate Structure – Principal terms of the Pre-[**REDACTED**] Investments and Pre-[**REDACTED**] Investors' Rights".

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See "Appendix V – Summary of the Articles of Association" in this document.

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming the Share Split is completed and the [**REDACTED**] is not exercised), the following persons are expected to have an interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

			Shares held as of the Latest Practicable Date		Shares held following the completion of the [REDACTED] (assuming the Share Split is completed and the [REDACTED] is not exercised)	
Name of shareholder	**Nature of interest**	**Class of Shares**	**Number**	**Percentage**	**Number**	**Percentage**
Mr. Wang[(1)(2)(3)(4)]	Beneficial interest	Domestic [REDACTED] Shares	21,972,365	21.65%	219,723,650	[REDACTED]%
	Interest in controlled corporation	Domestic [REDACTED] Shares	49,064,831	48.35%	490,648,310	[REDACTED]%
Ms. Zhao[(1)(2)(3)(4)]	Interest of Spouse and interest in controlled corporation	Domestic [REDACTED] Shares	71,037,196	70.00%	710,371,960	[REDACTED]%
Shiyue Jinfeng[(3)]	Interest in controlled corporation	Domestic [REDACTED] Shares	49,064,831	48.35%	490,648,310	[REDACTED]%
Shiyue Daotian Enterprise Management	Beneficial interest	Domestic [REDACTED] Shares	38,603,676	38.04%	386,036,760	[REDACTED]%
Shiyue Zhongxin	Beneficial interest	Domestic [REDACTED] Shares	10,461,155	10.31%	104,611,550	[REDACTED]%
Shenyang Hongsheng[(4)]	Interest in controlled corporation	Domestic [REDACTED] Shares	10,461,155	10.31%	104,611,550	[REDACTED]%
Mr. Shu Minghe[(5)(6)]	Interest in controlled corporation	Domestic [REDACTED] Shares	38,603,676	38.04%	386,036,760	[REDACTED]%

Name of shareholder	Nature of interest	Class of Shares	Shares held as of the Latest Practicable Date Number	Percentage	Shares held following the completion of the [REDACTED] (assuming the Share Split is completed and the [REDACTED] is not exercised) Number	Percentage
Shenyang Shengxin(6)	Interest incontrolled corporation	Domestic [REDACTED] Shares	38,603,676	38.04%	386,036,760	[REDACTED]%
Generation Sigma HK	Beneficial interest	Domestic [REDACTED] Shares	12,672,995	12.49%	38,018,980	[REDACTED]%
		H Shares			88,710,970	[REDACTED]%

Notes:

(1) As of the Latest Practicable Date, Mr. Wang and Ms. Zhao respectively hold 70% and 30% of the equity interest in Shiyue Jinfeng. Meanwhile, Shiyue Jinfeng is the general partner of each of Shiyue Daotian Enterprise Management and Shiyue Zhongxin. Therefore, Mr. Wang and Ms. Zhao are deemed to be interested in the Shares held by each of Shiyue Daotian Enterprise Management and Shiyue Zhongxin in the Company under the SFO.

(2) Ms. Zhao is the spouse of Mr. Wang. Therefore, each of Mr. Wang and Ms. Zhao is deemed to be interested in the Shares held by each other under the SFO.

(3) As of the Latest Practicable Date, Shiyue Jinfeng is the general partner of each of Shiyue Daotian Enterprise Management and Shiyue Zhongxin, respectively. Therefore, Shiyue Jinfeng is deemed to be interested in the Shares held by Shiyue Daotian Enterprise Management and Shiyue Zhongxin in the Company respectively under the SFO.

(4) As of the Latest Practicable Date, Shenyang Hongsheng holds approximately 90% of the partnership interest in Shiyue Zhongxin. Therefore, Shenyang Hongsheng is deemed to be interested in the Shares held by Shiyue Zhongxin in the Company.

(5) As of the Latest Practicable Date, Mr. Shu Minghe holds approximately 4.37% of the partnership interest in Shiyue Daotian Enterprise Management. In addition, Shenyang Shengxin is wholly owned by Mr. Shu Minghe. As such, Mr. Shu Minghe, directly and indirectly through Shenyang Shengxin, holds approximately 43.68% of the partnership interest in Shiyue Daotian Enterprise Management. Therefore Mr. Shu Minghe is deemed to be interested in the Shares held by Shiyue Daotian Enterprise Management in the Company under the SFO.

(6) As of the Latest Practicable Date, Shenyang Shengxin holds approximately 39.31% of the partnership interest in Shiyue Daotian Enterprise Management. Therefore, Shenyang Shengxin is deemed to be interested in the Shares held by Shiyue Daotian Enterprise Management in the Company under the SFO.

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 IFRS.

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 a leading and rapidly growing pantry staple food company in China, enjoying a robust omnichannel brand presence. Since our inception, we have been dedicated to providing our consumers with pre-packaged premium rice, whole grain, bean, and dried food products. 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 gross profit increased from RMB404.7 million in 2020 to RMB537.5 million in 2021, and further to RMB779.5 million in 2022. Our adjusted profit from operations (Non-IFRS measure) increased from RMB246.5 million in 2020 to RMB276.9 million in 2021, and further to RMB373.8 million in 2022. 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.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). We have consistently applied all applicable IFRS 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, 2022. 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 "Business – Our Brands and Products." According to the Frost & Sullivan 2022 Survey, Shiyue Daotian and Firewood Courtyard are among the most recognized brands in China's rice, whole grain, bean and seed market, with Shiyue Daotian ranking highest for product experience, repurchase intention and willingness to recommend. 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,					
	2020		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Rice products	285,489	15.3	406,931	14.1	600,824	16.6
Whole grain, bean and other products	107,553	29.3	102,829	21.8	126,383	24.2
Dried food and other products	11,631	13.2	27,778	11.8	52,340	13.5
Total	**404,673**	**17.4**	**537,538**	**14.9**	**779,547**	**17.2**

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 and RMB3,144.2 million in 2020, 2021 and 2022, respectively, representing 79.5%, 75.5% and 69.4% 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. With online and offline integrated operation capabilities, we also have established ourselves as a leading player in the modern retail channels, achieving rapid growth and success in this area. Our omnichannel 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 Omnichannel 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.

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. See "Business – Branding and Marketing." Our selling and distribution expenses was RMB126.1 million, RMB223.4 million and RMB314.8 million in 2020, 2021 and 2022, respectively, accounting for 5.4%, 6.2% and 7.0% 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 and RMB2,973.1 million in 2020, 2021, 2022, respectively, accounting for 82.7%, 80.1% and 79.2% 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 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.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant 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 significant impact on our financial position and operational results. Our 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 financial statements. Our significant 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.

Specifically, in relation to sales of goods, revenue is recognized when the customer takes possession of and accepts the products. 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.

Service income is recognized when the services are rendered. When our Group acts 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.

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:

Category	Estimated Useful Life
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.

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

Equity-settled Share-based Payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Cash-settled Share-based Payments

Cash-settled share-based payments are measured at the fair value of liabilities determined on the basis of shares of our Group. If the right may be exercised immediately after the grant, relevant costs and expenses recognized on the date of the grant, and the liabilities shall be increased accordingly.

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

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 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.

For details of our financial assets and financial liabilities that are measured at fair value at the end of each reporting period, see Note 28 e(i) of Appendix I to this document.

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.

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 and 2022.

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

Income Tax

Income tax for the year 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 year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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.

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

Non-IFRS Measures

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

We define adjusted profit from operations (Non-IFRS measure) as profit from operations adjusted by adding back share-based payments and [**REDACTED**] expenses, and we define adjusted net profit (Non-IFRS measure) as net profit for the year adjusted by adding back share-based payments, changes in the carrying amount of financial instruments issued to investors and [**REDACTED**] expenses. Share-based payments is a non-recurring expense and are not directly correlate with the underlying performance of our business operations and is also affected by non-operating performance related factors that are not closely or directly related to our business activities, such as timing of grants. Changes in the carrying amount of financial instruments issued to investors may be considered recurring in nature but are neither considered by us as related to our ordinary course of business nor indicative of our ongoing core operating performance. [**REDACTED**] expenses are non-recurring in nature and are neither considered by us as related to our ordinary course of business nor indicative of our ongoing core operating performance.

The following tables reconcile our adjusted profit from operations (Non-IFRS measure) and adjusted net profit (Non-IFRS measure) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which are profit or loss from operations and net profit or loss for the year:

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

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

Notes:

(1) Share-based payments, representing (i) share awards of RMB691.0 million in 2022, which represented paid-in capital granted to Mr. Wang and Ms. Zhao, see Note 26(a) of Appendix I to this document; and (ii) transfers of paid-in capital among the equity shareholders of RMB187.3 million in 2021 and RMB48.6 million in 2022, which were related to investors of Series B financing in 2021 and Series C financing in 2022, see Note 22(a) and Note 26(b) of Appendix I to this document. See "– Description of Major Components of Our Results of Operations – Administrative Expenses."

(2) Changes in the carrying amount of financial instruments issued to investors were primarily related to financial instruments granted to certain investors of our Series A, Series B and Series C financing. See "– Indebtedness – Financial Instruments Issued to Investors."

Revenue

Our revenue was RMB2,327.0 million, RMB3,598.3 million and RMB4,532.9 million in 2020, 2021 and 2022, respectively.

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, red bean, sesame and corn, 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. 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, representing 80.4%, 80.4% and 79.9% of our total revenue in the respective periods.

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

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, primarily due to the increase in the revenue generated from rice products.

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,		
		2020	2021	2022
Rice products	*sales volume (ton)* . . .	255,952	475,772	594,287
	average selling price[(1)](RMB/kg)	7.3	6.1	6.1
Whole grain, bean and other products	*sales volume (ton)* . . .	26,817	38,712	43,564
	average selling price[(1)](RMB/kg)	13.7	12.2	12.0
Dried food and other products	*sales volume (ton)* . . .	61,459	148,918	203,962
	average selling price[(1)](RMB/kg)	1.4	1.6	1.9

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. 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 have adopted relatively competitive pricing strategies for these products. Our pricing strategies enabled us to solidify our market position and enhance our penetration in different sales channels with increasingly diversified retail models. 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 Omnichannel Sales Network – Online Channels;" (ii) sales through modern retail channels, primarily including NKAs and LKAs, see "Business – Our Omnichannel Sales Network – Modern Retail Channels;" (iii) sales to direct customers, primarily including catering companies, agricultural products companies, and other corporate and individual customers, see "Business – Our Omnichannel Sales Network – Direct Customers;" and (iv) sales through distribution network, see "Business – Our Omnichannel 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,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Online channels						
– E-commerce platforms	1,585,577	68.1	2,190,615	60.9	2,657,296	58.6
– Online self-operated stores	263,918	11.3	525,966	14.6	486,894	10.7
Modern retail channels	216,060	9.3	403,994	11.2	695,954	15.4
Direct customers	157,893	6.8	307,193	8.5	452,010	10.0
Distribution network	103,560	4.5	170,483	4.7	240,766	5.3
Total	**2,327,008**	**100.0**	**3,598,251**	**100.0**	**4,532,920**	**100.0**

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, primarily due to the increase in the revenue generated from online channels, especially on e-commerce platforms.

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.

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,					
	2020		**2021**		**2022**	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Raw materials	1,590,135	68.3	2,453,005	68.2	2,973,105	65.6
Transportation expenses	137,078	5.9	271,394	7.5	346,412	7.6
Packaging materials	140,644	6.0	215,323	6.0	266,856	5.9
Labor and employee costs	31,304	1.3	63,501	1.8	69,623	1.5
Energy and materials consumption	11,872	0.5	31,242	0.9	47,439	1.0
Depreciation	6,411	0.3	15,720	0.4	32,221	0.7
Taxes and surcharges	2,822	0.1	5,688	0.2	10,665	0.2
Others	2,069	0.1	4,840	0.1	7,052	0.2
Total	**1,922,335**	**82.6**	**3,060,713**	**85.1**	**3,753,373**	**82.8**

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,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Rice products	1,585,950	82.5	2,484,667	81.2	3,020,916	80.5
Whole grain, bean and other products	259,790	13.5	369,112	12.1	396,849	10.6
Dried food and other products	76,595	4.0	206,934	6.8	335,608	8.9
Total	**1,922,335**	**100.0**	**3,060,713**	**100.0**	**3,753,373**	**100.0**

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 margin was 17.4%, 14.9% and 17.2% in 2020, 2021 and 2022, 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,					
	2020		2021		2022	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Rice products	285,489	15.3	406,931	14.1	600,824	16.6
Whole grain, bean and other products	107,553	29.3	102,829	21.8	126,383	24.2
Dried food and other products	11,631	13.2	27,778	11.8	52,340	13.5
Total	**404,673**	**17.4**	**537,538**	**14.9**	**779,547**	**17.2**

Our gross profit margin decreased from 17.4% in 2020 to 14.9% in 2021, primarily because we have adopted relatively competitive pricing strategies for our products. 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; and (ii) we have strategically upgraded our product offerings.

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 primarily included (i) platform service fees, mainly representing fees charged by e-commerce platforms primarily 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.

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,					
	2020		2021		2022	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Platform service fees	92,956	4.0	123,642	3.4	132,177	2.9
Employee costs	19,285	0.8	71,654	2.0	142,820	3.2
Advertising and exhibition fees	1,495	0.1	7,035	0.2	16,157	0.4
Depreciation	3,436	0.1	7,589	0.2	10,137	0.2
Travel and transportation fees	2,318	0.1	4,461	0.1	4,843	0.1
Others	6,575	0.3	9,049	0.3	8,699	0.2
Total	**126,065**	**5.4**	**223,430**	**6.2**	**314,833**	**7.0**

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 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.

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,					
	2020		2021		2022	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Labor costs	17,175	0.7	51,779	1.4	73,300	1.6
Technical support and service fees	6,221	0.3	6,678	0.2	18,232	0.4
Office expenses	4,451	0.2	7,092	0.2	5,567	0.1
Depreciation and amortization	2,339	0.1	5,766	0.2	7,352	0.2
Vehicles and transportation fees	2,246	0.1	4,464	0.1	2,698	0.1
Energy and material consumption	308	0.0	2,644	0.1	3,461	0.1
Share-based payments	–	–	187,348	5.2	739,569	16.3
Others	6,038	0.3	6,704	0.2	8,071	0.2
Total	**38,778**	**1.7**	**272,475**	**7.6**	**858,250**	**18.9**

The following table sets out a breakdown of our share-based payments for the periods indicated:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
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**

Our share-based payments included (i) share awards of RMB691.0 million in 2022, which represented paid-in capital granted to Mr. Wang and Ms. Zhao, see Note 26(a) of Appendix I to this document; and (ii) transfers of paid-in capital among the equity shareholders of RMB187.3 million in 2021 and RMB48.6 million in 2022, which were related to investors of Series B financing in 2021 and Series C financing in 2022, see Note 22(a) and Note 26(b) of Appendix I to this document.

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 income was primarily (i) government grants, representing the grants from local government authorities as a recognition of our brands and products that contribute to the development of the local pantry staple food industry 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.

The following table sets out a breakdown of our other net income for the periods indicated:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	7,205	44,030	15,967
Investment income	–	4,846	8,035
Interest income	65	248	2,037
Net income from sales of raw materials	764	967	2,252
Net loss on disposal of property, plant and equipment	(1,024)	(814)	(888)
Total	**7,010**	**49,277**	**27,403**

Impairment Losses on Trade and Other Receivables

We had impairment losses on trade and other receivables of RMB0.4 million, RMB1.4 million and RMB9.7 million in 2020, 2021 and 2022, respectively, see "– Financial Risk Disclosure – Credit Risks."

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 mainly were interest expenses on bank and other loans, see "– Indebtedness – Bank and Other Loans."

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

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on bank and other loans	20,049	9,423	3,300
Interest on lease liabilities	229	666	609
Total	**20,278**	**10,089**	**3,909**

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. 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 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 primary processing of agricultural products is eligible for 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 Year

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. Our adjusted net profit (Non-IFRS measure) was RMB221.3 million, RMB259.2 million and RMB364.0 million in 2020, 2021 and 2022, respectively.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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; and (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.

Our revenue from modern retail channels increased by 72.3% from RMB404.0 million in 2021 to RMB696.0 million in 2022, primarily due to the increasing number of NKAs and LKAs that we cooperated with.

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 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 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; and (ii) we have strategically upgraded our product offerings.

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 expansion of our sales and marketing force to satisfy our business expansion needs; (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 paid-in capital 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 on Trade and Other receivables

Our impairment losses 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 Risks."

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.

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 value 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.

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.

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 modern 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.

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.

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 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 we have adopted relatively competitive pricing strategies for our products. Our pricing strategies enabled us to solidify our market position and enhance our penetration in different sales channels with increasingly diversified retail models.

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 our employee costs, primarily due to the expansion of our sales and marketing force to satisfy our business expansion needs.

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 expansion of our administrative team to support our growing business.

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 on Trade and Other Receivables

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

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 value 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.

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.

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,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Inventories	647,243	1,049,783	1,372,671
Trade and other receivables	132,571	549,344	565,116
Cash and cash equivalents	24,121	108,215	120,360
Financial assets at fair value through profit or loss	20,000	30,000	–
Total current assets	**823,935**	**1,737,342**	**2,058,147**
Non-current assets			
Property, plant and equipment	257,592	536,667	862,560
Right-of-use assets	41,662	76,641	129,552
Other non-current assets	12,393	33,502	12,293
Total non-current assets	**311,647**	**646,810**	**1,004,405**
Total assets	**1,135,582**	**2,384,152**	**3,062,552**
Current liabilities			
Bank and other loans	279,064	50,000	394,905
Trade and other payables	175,120	168,692	303,548
Contract liabilities	4,153	18,580	31,564
Lease liabilities	4,720	7,611	8,957
Income tax payable	2,597	6,814	5,882
Total current liability	**465,654**	**251,697**	**744,856**
Non-current liabilities			
Financial instruments issued to investors	362,102	1,872,844	2,380,161
Lease liabilities	8,082	8,404	11,049
Deferred income	17,218	32,619	32,858
Total non-current liabilities	**387,402**	**1,913,867**	**2,424,068**
Total liabilities	**853,056**	**2,165,564**	**3,168,924**
Net assets/(liabilities)	**282,526**	**218,588**	**(106,372)**

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% and 61.1% of our total inventories, respectively, as of December 31, 2020, 2021 and 2022.

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

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	379,405	647,193	838,544
Finished products	240,887	353,712	455,475
Packaging materials	17,726	30,178	33,225
Work in progress	9,413	20,321	47,921
Less: write down of inventories	(188)	(1,621)	(2,494)
Total Inventories	**647,243**	**1,049,783**	**1,372,671**

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.

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.

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

	Year ended December 31,		
	2020	2021	2022
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 360 for each period.

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.

We believe there is no material recoverability issue for our inventories as of December 31, 2022, as we had stored our inventories in areas with suitable storage conditions, controlled temperature and humidity and under stringent inventory control management measures to avoid the risk of deterioration. See "Business – Inventory Management."

As of January 31, 2023, 39.7% of our total inventories as of December 31, 2022, or RMB546.5 million, had been utilized or sold.

Trade and Other Receivables

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

Trade and Bills Receivables

We had trade and bills receivables of RMB90.0 million, RMB323.8 million and RMB415.7 million as of December 31, 2020, 2021 and 2022, respectively. We had trade receivables of RMB90.0 million, RMB308.1 million and RMB399.1 million as of December 31, 2020, 2021 and 2022, respectively. We had bill receivables of nil, RMB15.7 million and RMB16.6 million as of December 31, 2020, 2021 and 2022, respectively. Our trade receivables and bills receivables during the Track Record Period 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,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from third parties	90,472	309,688	402,344
Less: loss allowance	(443)	(1,559)	(3,232)
Total trade receivables	**90,029**	**308,129**	**399,112**
Bills receivables	–	15,698	16,634
Total trade and bills receivables	**90,029**	**323,827**	**415,746**

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 modern retail channels that typically have long payment terms, which was in line with our revenue growth in 2021, especially revenue from modern 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 thereon. 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 modern retail channels that typically have long payment terms, which was in line with our revenue growth in 2021, especially revenue from modern retail channels, see"– Description of Major Components of Our Results of Operations – Revenue – Revenue by Sales Channel."

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,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	84,379	292,177	390,539
4 to 6 months	4,235	10,617	7,112
7 to 12 months	1,247	5,285	1,256
Over one year	168	50	205
Total	**90,029**	**308,129**	**399,112**

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

	Year ended December 31,		
	2020	**2021**	**2022**
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 360 for each period.

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 during the Track Record Period, primarily due to our increased sales volume, especially sales through modern retail channels that typically have long payment terms.

RMB272.8 million, or 68.3%, of our trade receivables as of December 31, 2022 had been settled as of January 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.

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

Our other receivables increased significantly from RMB42.5 million as of December 31, 2020 to RMB255.5 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.

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.

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,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Construction in progress	176,337	209,388	84,376
Machinery and other equipment	44,849	176,290	338,930
Plant and buildings	36,406	150,989	439,254
Total	**257,592**	**536,667**	**862,560**

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.

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,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Land use rights	27,108	59,752	108,263
Properties	14,554	16,889	21,289
Total	**41,662**	**76,641**	**129,552**

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.

Other Non-current Assets

We had other non-current assets of RMB12.4 million, RMB33.5 million and RMB12.3 million as of December 31, 2020, 2021 and 2022, 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."

Trade and Other Payables

We had trade and other payables of RMB175.1 million, RMB168.7 million and RMB303.5 million as of December 31, 2020, 2021 and 2022, 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,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables:			
– Third parties	147,067	119,979	171,626
– Related parties	1,143	–	–
Total trade payables	**148,210**	**119,979**	**171,626**

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.

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

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

	Year ended December 31,		
	2020	**2021**	**2022**
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 360 for each period.

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 and 14 days in 2022.

RMB85.7 million, or 49.9%, of our trade payables as of December 31, 2022 had been settled as of January 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,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Payables for staff-related costs	14,222	25,193	66,193
Payables for construction and purchase of property, plant and equipment	6,816	16,394	43,603
Payables for costs incurred in connection with the proposed [**REDACTED**] of the Company's shares	–	–	12,129
Payables for miscellaneous tax	2,302	1,220	3,138
Amounts due to related parties	1,500	1,500	–
Refund liabilities	585	588	949
Others	1,485	3,818	5,910
Total other payables	**26,910**	**48,713**	**131,922**

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.

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.

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.

KEY FINANCIAL RATIOS

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

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

Notes:

(1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

(2) Net profit/(loss) margin equals net profit/(loss) for the year divided by revenue and multiplied by 100%.

(3) Adjusted net profit margin equals adjusted net profit for the year as a non-IFRS measure divided by total revenue and multiplied by 100%.

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

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 and 2022, we had cash and cash equivalents of RMB24.1 million, RMB108.2 million and RMB120.4 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,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	90,235	(495,160)	177,223
Net cash used in investing activities	(197,181)	(361,170)	(316,341)
Net cash generated from financing activities	118,430	940,424	151,263
Net increase in cash and cash equivalents	11,484	84,094	12,145
Cash and cash equivalents at the beginning of the year	12,637	24,121	108,215
Cash and cash equivalents at the end of the year	24,121	108,215	120,360

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 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 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 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 used in 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.

Net Current Assets

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

	As of December 31,			As of January 31,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current assets				
Inventories	647,243	1,049,783	1,372,671	1,262,359
Trade and other receivables	132,571	549,344	565,116	680,854
Cash and cash equivalents	24,121	108,215	120,360	181,088
Financial assets at fair value through profit or loss	20,000	30,000	–	–
Total current assets	**823,935**	**1,737,342**	**2,058,147**	**2,124,301**
Current liabilities				
Bank and other loans	279,064	50,000	394,905	427,897
Trade and other payables	175,120	168,692	303,548	289,044
Contract liabilities	4,153	18,580	31,564	10,314
Lease liabilities	4,720	7,611	8,957	8,852
Income tax payable	2,597	6,814	5,882	5,882
Total current liability	**465,654**	**251,697**	**744,856**	**741,989**
Net current assets	**358,281**	**1,485,645**	**1,313,291**	**1,382,312**

We had net current assets of RMB1,382.3 million as of January 31, 2023, compared to net current assets of RMB1,313.3 million as of December 31, 2022, primarily due to (i) the increase in trade and other receivables, in line with our increasing sales volume; (ii) the decrease in contract liabilities, primarily because we have delivered products to relevant customers before the Chinese New Year and fulfilled relevant performance obligations; partially offset by (iii) the decrease in inventories, which was in line with the seasonality of the inventories as we generally have high inventories in the fourth quarter of the year; and (iv) the increase in bank and other loans mainly to satisfy our needs of raw material procurement.

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

During the Track Record Period, our indebtedness included financial instruments issued to investors, bank and other loans and lease liabilities. As of January 31, 2023, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB2,844.5 million. As of January 31, 2023, we had unutilized banking facilities of RMB75.5 million.

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

	As of December 31,			As of January 31,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Financial instruments issued to investors	362,102	1,872,844	2,380,161	2,398,191
Bank and other loans	279,064	50,000	394,905	427,897
Lease liabilities	12,802	16,015	20,006	18,387
Total	**653,968**	**1,938,859**	**2,795,072**	**2,844,475**

Except as disclosed above, during the Track Record Period and up to January 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.

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

	As of December 31,			As of January 31,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Redemption liabilities	317,461	1,872,844	2,380,161	2,398,191
Series A-1 investor's right to subscribe for additional registered capital	44,641	–	–	–
Total	**362,102**	**1,872,844**	**2,380,161**	**2,298,191**

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 redemption liabilities remained stable as of December 31, 2022 and as of January 31, 2023.

Bank and Other Loans

Our bank and other loans were guaranteed by related parties and third parties 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 January 31,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Bank loans				
Guaranteed by related parties	–	20,000	224,769	227,897
Guaranteed by related parties and a third party	30,000	30,000	–	–
Guaranteed by a third party	10,000	–	–	–

	As of December 31,			As of January 31,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Guaranteed by related parties and secured by property, plant and equipment and land use rights of the Group	10,000	–	120,136	200,000
Total bank loans	**50,000**	**50,000**	**344,905**	**427,897**
Other loans				
Secured by trade receivables of the Group	229,064	–	50,000	–
Total	**279,064**	**50,000**	**394,905**	**427,897**

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 material procurement. Our bank and other loans increased by 8.4% from RMB394.9 million as of December 31, 2022 to RMB427.9 million as of January 31, 2023, primarily due to the increase in 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 material procurement.

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, Ms. Zhao Shulan, Mr. Zhao Wenchen, 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 January 31,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Non-current lease liabilities	8,082	8,404	11,049	9,535
Current lease liabilities	4,720	7,611	8,957	8,852
Total	**12,802**	**16,015**	**20,006**	**18,387**

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 8.1% from RMB20.0 million as of December 31, 2022 to RMB18.4 million as of January 31, 2023, primarily because we paid our rent in January 2023.

CONTINGENT LIABILITIES

As of December 31, 2020, 2021 and 2022, we did not have any material contingent liabilities.

CAPITAL COMMITMENTS

The following table sets out the details of our capital commitments for the periods indicated:

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	**147,607**	**182,114**	**115,186**

CAPITAL EXPENDITURES

Our capital expenditures in 2020, 2021 and 2022 were RMB177.7 million, RMB357.4 million and RMB354.3 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.

MATERIAL RELATED PARTY TRANSACTIONS

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 they 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.

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, 46%, 37%, and 29% of the total trade receivables, respectively, were due from our Group's largest debtor, and 71%, 82%, and 75% 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:

	As of December 31, 2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.1	37,866	24
Within 3 months	0.2	46,720	116
4 to 6 months	2.0	4,623	91
7-12 months	10.1	995	100
1-2 years	41.8	268	112
		90,472	443

	As of December 31, 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.1	180,423	49
Within 3 months	0.1	112,051	154
4 to 6 months	2.5	10,834	274
7-12 months	16.4	6,277	1,029
1-2 years	46.2	93	43
Over 2 years	100.0	10	10
		309,688	1,559

	As of December 31, 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.1	186,777	119
Within 3 months	0.5	205,116	925
4 to 6 months	18.0	8,712	1,565
7-12 months	35.7	1,521	543
1-2 years	36.7	218	80
		402,344	3,232

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.

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

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Balance as of January 1	92	443	1,559
Impairment losses recognized during the year	368	1,245	9,698
Write-off of impairment losses	(17)	(129)	(8,025)
Balance as of December 31	443	1,559	3,232

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 and 2022, 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 year) and the earliest date our Group can be required to pay, see Note 28(b) of Appendix I to this document.

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 and 2022, 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 and RMB1,201.0 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 "– Significant Accounting Policies and Estimates – Investments in Debt and Equity Securities – Fair Value Measurement."

DIVIDENDS

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

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

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 December 31, 2022, 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$[**REDACTED**] in non-[**REDACTED**] fees. Among of the total [**REDACTED**] expenses, approximately HK$[**REDACTED**] will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the [**REDACTED**], and the remaining HK$[**REDACTED**] will be expensed in our consolidated statements of comprehensive income. Our Directors do not expect such expenses to materially impact our results of operations in 2023.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and [**REDACTED**] statement of our adjusted consolidated net tangible assets, which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the [**REDACTED**] on our consolidated net tangible assets attributable to equity shareholders of our Company as of December 31, 2022 as if [**REDACTED**] had taken place on December 31, 2022. The unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial position had the [**REDACTED**] been completed as of December 31, 2022 or at any future date.

	Consolidated net tangible liabilities attributable to equity shareholders of the Company as of December 31, 2022(1)	Estimated net [REDACTED] from the [REDACTED](2)	Estimated impact to net tangible assets upon reclassification of financial instruments issued to investors(3)	Unaudited [REDACTED] adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited [REDACTED] adjusted net tangible assets per Share(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB(4)*	*HK$(5)*
Based on an [REDACTED] of HK$[REDACTED] per H Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per H Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as of December, 31 2022 is calculated based on the consolidated total deficits attributable to equity shareholders of the Company of RMB106,372,000 as of December 31, 2022, which is extracted from Appendix I to this document.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] per H Share (being the minimum [**REDACTED**]) and HK$[**REDACTED**] per H Share (being the maximum [**REDACTED**]) and [**REDACTED**] H Shares expected to be issued under the [**REDACTED**], after deduction of the [**REDACTED**] fees and other related expenses paid or payable by the Company (excluding the [**REDACTED**] expenses that have been charged to profit or loss up to December 31, 2022), and do not take into account any H Shares which may be issued upon the exercise of the [**REDACTED**]. The estimated net [**REDACTED**] of the [**REDACTED**] have been converted to RMB at the PBOC rate of HK$1.0000 to RMB0.8711 prevailing on March 24, 2023. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate.

(3) As of December 31, 2022, the carrying amount of the financial instruments issued to investors was RMB2,380,161,000, which was related to redemption rights issued to investors (as set out in Note 22 of Appendix I to this document). Upon [**REDACTED**], the redemption rights will automatically expire, and the financial instruments issued to investors will be reclassified from liabilities to equity accordingly.

(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 (excluding 2,029,491 Shares which were issued in January 2023 as set out in note 6 below), 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 RMB0.8711 to HK$1.0000 prevailing on March 24, 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 the Group entered into subsequent to December 31, 2022, including the issuance of 2,029,491 Shares to Series C investor in January 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 December 31, 2022, being the end date of the periods reported in Appendix I to this document, and there is no event since December 31, 2022 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, except as otherwise disclosed in this document, 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.

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 order to meet the growing consumer needs for our products, we need to make arrangements in advance in renowned places of origin for grains with favorable geographical features and climatic conditions and increase the procurement volume of raw materials to support our production capacity expansion, thereby ensuring the steady and timely supply of premium products. In addition, due to the seasonality of paddy harvest, we usually need to prepare substantial capital to procure the necessary raw material during the harvest season.

- 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". 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.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to expand our channel coverage and establish our omnichannel 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 modern 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 modern 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.

- 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 to repay our bank borrowings. As of January 31, 2023, our total amount of bank borrowings amounted to RMB427.9 million. The interest rates of these bank loans range from 3.7% to 5% and will mature in one years. We borrowed these bank borrowings mainly to fund our procurement of raw materials and the expansion of our sales network.

- 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.

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 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.

[**REDACTED**]

[**REDACTED**]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-[●], received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHIYUE DAOTIAN GROUP CO., LTD. AND MORGAN STANLEY ASIA LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of Shiyue Daotian Group Co., Ltd. (十月稻田集團股份有限公司) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[●] to I-[●], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2020 and 2021 and 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2020, 2021 and 2022 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our 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 (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2020, 2021 and 2022 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[●] have been made.

Dividends

We refer to Note 27(c) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants

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[Date]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

		Year ended 31 December		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4*	2,327,008	3,598,251	4,532,920
Cost of sales		(1,922,335)	(3,060,713)	(3,753,373)
Gross profit		404,673	537,538	779,547
Other net income	*5*	7,010	49,277	27,403
Selling and distribution expenses		(126,065)	(223,430)	(314,833)
Administrative expenses		(38,778)	(272,475)	(858,250)
Impairment losses on trade and other receivables		(368)	(1,356)	(9,698)
Profit/(loss) from operations		246,472	89,554	(375,831)
Finance costs	*6(a)*	(20,278)	(10,089)	(3,909)
Changes in the carrying amount of financial instruments issued to investors	*22*	(207,342)	(244,748)	(178,596)
Profit/(loss) before taxation	*6*	18,852	(165,283)	(558,336)
Income tax	*7(a)*	(4,878)	(7,581)	(5,883)
Profit/(loss) and total comprehensive income for the year attributable to equity shareholders of the Company		13,974	(172,864)	(564,219)
Earnings/(loss) per share				
Basic and diluted (RMB)	*10*	0.19	(1.95)	(5.96)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

		At 31 December		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	257,592	536,667	862,560
Right-of-use assets	*12*	41,662	76,641	129,552
Other non-current assets	*14*	12,393	33,502	12,293
		311,647	646,810	1,004,405
Current assets				
Inventories	*15*	647,243	1,049,783	1,372,671
Trade and other receivables	*16*	132,571	549,344	565,116
Financial assets at fair value through profit or loss ("FVPL")	*17*	20,000	30,000	–
Cash and cash equivalents	*18*	24,121	108,215	120,360
		823,935	1,737,342	2,058,147
Current liabilities				
Trade and other payables	*19*	175,120	168,692	303,548
Contract liabilities	*20*	4,153	18,580	31,564
Bank and other loans	*21*	279,064	50,000	394,905
Lease liabilities	*23*	4,720	7,611	8,957
Income tax payable	*24*	2,597	6,814	5,882
		465,654	251,697	744,856
Net current assets		358,281	1,485,645	1,313,291
Total assets less current liabilities		669,928	2,132,455	2,317,696

		At 31 December		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Lease liabilities	*23*	8,082	8,404	11,049
Financial instruments issued to investors	*22*	362,102	1,872,844	2,380,161
Deferred income	*25*	17,218	32,619	32,858
		387,402	1,913,867	2,424,068
NET ASSETS/(LIABILITIES)		282,526	218,588	(106,372)
CAPITAL AND RESERVES	*27*			
Paid-in capital		78,203	92,484	99,445
Reserves		204,323	126,104	(205,817)
TOTAL EQUITY/(DEFICITS)		282,526	218,588	(106,372)

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

		At 31 December		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	278	64,024	147,663
Right-of-use assets	*12*	–	34,111	32,902
Interests in subsidiaries	*13*	97,904	1,085,193	1,739,349
Other non-current assets		–	3,139	3,508
		98,182	1,186,467	1,923,422
Current assets				
Trade and other receivables	*16*	496,587	703,851	507,528
Financial assets at FVPL	*17*	–	30,000	–
Cash and cash equivalents	*18*	232	7,188	5,020
		496,819	741,039	512,548
Current liabilities				
Trade and other payables	*19*	88	451	34,459
Lease liabilities		–	509	–
		88	960	34,459
Net current assets		496,731	740,079	478,089
Total assets less current liabilities		594,913	1,926,546	2,401,511
Non-current liabilities				
Financial instruments issued to investors	*22*	362,102	1,872,844	2,380,161
NET ASSETS		232,811	53,702	21,350
CAPITAL AND RESERVES	*27*			
Paid-in capital		78,203	92,484	99,445
Reserves		154,608	(38,782)	(78,095)
TOTAL EQUITY		232,811	53,702	21,350

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Paid-in capital	Capital reserve	Other reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 27(b))	*(Note 27(d))*	*(Note 27(e))*	*(Note 27(f))*		
At 1 January 2020	40,000	–	70,009	–	252,839	362,848
Changes in equity for 2020:						
Profit and total comprehensive income for the year	–	–	–	–	13,974	13,974
Capital contributions *(Note 27(b))*	38,203	137,501	–	–	–	175,704
Recognition of redemption liabilities for the preferential rights *(Note 22(a))*	–	–	(150,000)	–	–	(150,000)
Effect on equity in connection with the reorganisation as defined in Note 1	–	–	(70,000)	–	–	(70,000)
Appropriation to statutory reserve	–	–	–	16,711	(16,711)	–
Dividends to shareholders *(Note 27(c))*	–	–	–	–	(50,000)	(50,000)
At 31 December 2020	78,203	137,501	(149,991)	16,711	200,102	282,526
At 1 January 2021	78,203	137,501	(149,991)	16,711	200,102	282,526
Changes in equity for 2021:						
Loss and total comprehensive income for the year	–	–	–	–	(172,864)	(172,864)
Capital contributions *(Note 27(b))*	14,281	1,280,586	–	–	–	1,294,867
Recognition of redemption liabilities for the preferential rights *(Notes 22(a))*	–	–	(1,307,295)	–	–	(1,307,295)
Transfer of paid-in capital among the equity shareholders *(Note 26(b))*	–	–	(212,652)	–	–	(212,652)
Effect of the modification of the redemption rights *(Note 22(a))*	–	–	334,006	–	–	334,006
At 31 December 2021	92,484	1,418,087	(1,335,932)	16,711	27,238	218,588

	Paid-in capital	Capital reserve	Other reserve	Statutory reserve	Retained profits/ (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 27(b))	*(Note 27(d))*	*(Note 27(e))*	*(Note 27(f))*		
At 1 January 2022	92,484	1,418,087	(1,335,932)	16,711	27,238	218,588
Changes in equity for 2022:						
Loss and total comprehensive income for the year	–	–	–	–	(564,219)	(564,219)
Capital contributions *(Notes 27(a) and (b))*	6,961	21,449	–	–	–	28,410
Transfer of paid-in capital among the equity shareholders *(Note 26(b))*	–	–	(72,377)	–	–	(72,377)
Share-based payments *(Note 26(a))*	–	690,986	–	–	–	690,986
Dividends to shareholders *(Note 27(c))*	–	–	–	–	(200,000)	(200,000)
Deemed distribution *(Note 27(c))*	–	–	(207,760)	–	–	(207,760)
At 31 December 2022	99,445	2,130,522	(1,616,069)	16,711	(736,981)	(106,372)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

	Note	Year ended 31 December 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Profit/(loss) before taxation		18,852	(165,283)	(558,336)
Adjustments for:				
Depreciation	*6(c)*	12,186	29,075	49,710
Share-based payments	*6(b)*	–	187,348	739,569
Changes in the carrying amount of financial instruments issued to investors		207,342	244,748	178,596
Net loss on disposal of property, plant and equipment	*5*	1,024	814	888
Impairment losses on trade and other receivables		368	1,356	9,698
Finance costs	*6(a)*	20,278	10,089	3,909
Investment income	*5*	–	(4,846)	(8,035)
Changes in working capital:				
Increase in inventories		(227,516)	(402,540)	(322,888)
Decrease/(increase) in trade and other receivables		3,482	(406,375)	(29,943)
Increase/(decrease) in trade and other payables		71,155	(16,010)	107,647
(Decrease)/increase in contract liabilities		(21,484)	14,427	12,984
Increase in deferred income		10,678	15,401	239
Cash generated from/(used in) operation		96,365	(491,796)	184,038
Income tax paid	*24(a)*	(6,130)	(3,364)	(6,815)
Net cash generated from/(used in) operating activities		90,235	(495,160)	177,223

	Note	Year ended 31 December 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
Investing activities				
Payments for purchase of property, plant and equipment and land use rights		(177,651)	(357,400)	(354,271)
Purchase of financial assets at FVPL		(20,000)	(1,178,000)	(1,560,000)
Redemption of financial assets at FVPL		–	1,168,000	1,590,000
Net proceeds from disposal of property, plant and equipment		470	1,384	(105)
Investment income received	*5*	–	4,846	8,035
Net cash used in investing activities		(197,181)	(361,170)	(316,341)
Financing activities				
Proceeds from the capital contributions, net of transaction costs	*27(a) & 27(b)*	180,464	1,187,572	28,410
Considerations paid for business combinations under common control	*1*	(70,000)	–	–
Issuance costs of the proposed issuance of new shares		–	–	(12,215)
Dividends paid to shareholders		(50,000)	–	(200,000)
Proceeds from bank and other loans	*18(b)*	1,690,317	535,586	417,418
Repayment of bank and other loans	*18(b)*	(1,608,338)	(764,650)	(72,930)
Capital element of lease rentals paid	*18(b)*	(3,981)	(5,995)	(7,928)
Interest element of lease rentals paid	*18(b)*	(229)	(666)	(609)
Finance costs paid	*18(b)*	(20,049)	(9,423)	(2,883)
Net changes in guarantee deposits		246	(2,000)	2,000
Net cash generated from financing activities		118,430	940,424	151,263
Net increase in cash and cash equivalents		11,484	84,094	12,145
Cash and cash equivalents at the beginning of the year		12,637	24,121	108,215
Cash and cash equivalents at the end of the year		24,121	108,215	120,360

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Shiyue Daotian Group Co., Ltd. (十月稻田集團股份有限公司) (the "Company"), formerly known as Shiyue Daotian Agricultural Technology Co., Ltd. (十月稻田農業科技有限公司), was established in Shenyang, Liaoning Province, the People's Republic of China (the "PRC") on 3 May 2018 as a limited liability company. On 20 December 2022, the board of directors of the Company resolved to convert the Company from a limited liability company into a joint stock limited liability company. The conversion was completed on 6 January 2023 and on 28 February 2023 the Company changed its registered name to Shiyue Daotian Group Co., Ltd.

The Company and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and sales of pantry staple food (the "[**REDACTED**] Business") in the PRC.

Prior to completion of the corporate reorganisation as described below, the [**REDACTED**] Business of the Group was carried out through Shenyang Xinchang Grain Trade Co., Ltd. (瀋陽信昌糧食貿易有限公司) ("Shenyang Xinchang") and Wuchang City Caiqiao Rice Industry Co., Ltd. (五常市彩橋米業有限公司) ("Wuchang Caiqiao").

To rationalise the corporate structure in preparation for the [**REDACTED**] of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganisation (the "Reorganisation"), as detailed in the section headed "History, Development and Corporate Structure" in the Document. As part of the Reorganisation, the Company acquired the Listing Business through the acquisition of the entire equity interests of Shenyang Xinchang and Wuchang Caiqiao at total considerations of RMB70.0 million. These acquisitions were completed in September 2020. Upon completion of the Reorganisation in September 2020, the Company became the holding company of the companies now comprising the Group.

The Reorganisation only involved interspersing the Company, which has no substantive business operations, as the holding company of the [**REDACTED**] Business. There were no changes in the economic substance of the ownership and the [**REDACTED**] Business before and after the Reorganisation. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the [**REDACTED**] Business with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period as set out in the Historical Financial Information include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or where the companies were established at a date later than 1 January 2020, for the period from the date of establishment to 31 December 2022. The consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 as set out in the Historical Financial Information have been prepared to present the financial position of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of establishment, where applicable. Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information. The statutory financial statements of the Company for the year ended 31 December 2020 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and were audited by Liao Ning Teng Yue United Certified Public Accountants GP (遼寧騰躍聯合會計師事務所(普通合夥)). No audited statutory financial statements for the years ended 31 December 2021 and 2022 have been prepared for the Company.

As at the date of this report, the Company had direct interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of establishment and business	Particulars of registered/ paid-in capital	Proportion of ownership interest held by the Company	Principal activities
Wuchang Caiqiao 五常市彩橋米業有限公司 *(Notes (i) and (ii))*	The PRC 06 December 2013	RMB100,000,000/ RMB70,000,000	100%	Production and sale of rice and other products
Shenyang Xinchang 瀋陽信昌糧食貿易有限公司 *(Notes (i) and (iii))*	The PRC 27 June 2005	RMB100,000,000/ RMB30,000,000	100%	Production and sale of rice, grains, beans, dried food and other products
Shiyue Daotian Songyuan Agricultural Technology Co., Ltd. 十月稻田松原農業科技有限公司 *(Notes (i) and (iv))*	The PRC 27 April 2021	RMB30,000,000/ RMB20,000,000	100%	Production and sale of rice
Shiyue Daotian (Aohanqi) Agricultural Technology Co., Ltd. 十月稻田(敖漢旗)農業科技有限公司 *(Notes (i) and (iv))*	The PRC 08 December 2020	RMB30,000,000/ RMB20,000,000	100%	Production and sale of grains
Shiyue Daotian (Beijing) Technology Development Co., Ltd. 十月稻田(北京)科技發展有限公司 *(Notes (i) and (iv))*	The PRC 25 January 2021	RMB2,000,000/ RMB2,000,000	100%	Technology services
Tonghe County Caiqiao Rice Industry Co., Ltd. 通河縣彩橋米業有限公司 *(Notes (i) and (iv))*	The PRC 08 September 2021	RMB35,000,000/ RMB10,000,000	100%	Production and sale of rice

Notes:

(i) These entities were registered as limited liability companies under the laws and regulations in the PRC. The official names of these entities are in Chinese. The English translations are for identification only.

(ii) The statutory financial statements of this entity for the years ended 31 December 2020 and 2021 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and were audited by Harbin Lanyu Certified Public Accountants GP (哈爾濱瀾宇會計師事務所(普通合夥)). No audited statutory financial statements for the year ended 31 December 2022 have been prepared.

(iii) The statutory financial statements of this entity for the years ended 31 December 2020 and 2021 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and were audited by Shenyang Xinli Partnership Certified Public Accountants (瀋陽新立合夥會計師事務所) and Liaoning Yu Sheng United CPA Firm (遼寧鈺晟聯合會計師事務所), respectively. No audited statutory financial statements for the year ended 31 December 2022 have been prepared.

(iv) No audited statutory financial statements for the years ended 31 December 2020, 2021 and 2022 of these entities have been prepared.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted by the Group are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently applied all applicable new and revised IFRSs throughout the Track Record Period. The Group has not applied any new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2022, the detail of which are set out in Note 33.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 31 December 2022, the Group had net liabilities of RMB106.4 million, including liabilities arising from financial instruments issued to investors amounted to RMB2,380.2 million. The directors of the Company are of the opinion that no payment is expected for the settlement of the liabilities arising from financial instruments issued to investors as the related redemption options would be terminated and the financial instruments issued to investors would be converted into equity upon the [**REDACTED**] of the Company's shares on the Stock Exchange. Taken the above into consideration, and together with cashflow forecast for the year ending 31 December 2023 prepared by management of the Group, the directors of the Company are of the opinion that the Group has sufficient financial resources to continue as a going concern for the next twelve months. Therefore, the directors of the Company are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Company and the Group has its functional currency in RMB and the Historical Financial Information is presented in RMB. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Financial assets at FVPL (see Note 2(e)); and

– Series A-1 investor's right to subscribe for additional registered capital (see Note 2(f)).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Business combinations

The Group accounts for business combination not under common control using the acquisition method when control is transferred to the Group (see Note 2(d)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Business combinations of entities under common control are accounted for using the principle of merger accounting, under which, the Historical Financial Information incorporate the financial statement items of the acquired entities or businesses in which the common control combination occurs from the date when the acquired entities or businesses first come under the control of the controlling party.

The net assets of the acquired entities or businesses are combined using the existing book values from the controlling party's perspective. The differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded (net of any reserves of the acquired entities) have been recognised directly in equity as other reserve. Acquisition costs are expensed as incurred.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)).

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/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 (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 28(e). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

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

– amortised 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 (see Note 2(t)(iii)).

– FVOCI (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 recognised 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 derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised 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 FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(t)(v).

(f) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, 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 (see Note 2(v)).

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 recognised 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:

– Plant and buildings	10-20 years
– Machinery and other 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 (see Note 2(i)(ii)). Cost comprises direct costs of construction as well as interest expense capitalised during the periods of construction and installation. Capitalisation 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.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets' and presents lease liabilities separately in the statement of financial position.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Financial assets and liabilities measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables are discounted using effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(t)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– other non-current assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories and other contract costs

(i) 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.

Inventories are carried at the lower of cost and net realisable 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 realisable 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 recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in Note 2(t)(i).

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories (see Note 2(j)(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(t).

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(l)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Receivables are subsequently stated at amortised cost, using the effective interest method less allowance for credit losses (see Note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised costs unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Refund liabilities arising from rights of returns are recognised in accordance with the policy set out in Note 2(t)(i).

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(v)).

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(iii) Share-based payments

Equity settled share-based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Cash settled share-based payments

Cash-settled share-based payment is measured at the fair value of liabilities determined on the basis of shares of the Group. If the right may be exercised immediately after the grant, relevant costs and expenses shall be recognised on the date of the grant, and the liabilities shall be increased accordingly.

(q) Redemption liabilities

A contract that contains an obligation for the Company to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability even if the Company's obligation to purchase is conditional on the counterparty exercising its right to redeem. The redemption liability is initially measured at the present value of the redemption amount and subsequently measured at amortised cost with interest expense being included in change in the carrying amounts of financial instruments issued to investors.

The then carrying amount of the redemption liability is reclassified to equity upon a termination of the counterparty's redemption right.

(r) Income tax

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

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts 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.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation 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.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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 the Company or the Group has 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, the Company or the Group intends 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.

(s) Provisions and contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is 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.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods, then the amount of revenue recognised 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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group offers certain customers for the sale of goods with rights of return and retrospective volume rebates when their purchases reach an agreed threshold. Such rights of return and volume rebates give rise to variable consideration.

The Group uses an expected value approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of goods, the Group recognises revenue after taking into account adjustment to transaction price arising from returns and rebates as mentioned above. A refund liability is recognised for the expected returns and rebates, and is included in other payables. A right to recover returned goods (included in inventories) and corresponding adjustment to cost of sales are also recognised for the right to recover products from customers. This right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods).

(ii) Service income

Service income is recognised when the services are rendered. When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue is recognised when the related agent services are rendered at the net amount of commission received or to be received by the Group.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit- impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(i)(i)).

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income in the statement of financial position and are subsequently recognised in profit or loss over the useful life of the asset.

(v) Dividends

Dividend income from equity investments is recognised when the shareholder's right to receive payment is established.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity to which they relate using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the entity initially recognises such non-monetary assets or liabilities.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Sources of estimation uncertainty

Note 28 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. The determination of the fair value of the share-based payments is affected by the significant assumptions such as the underlying equity value, the expected volatility of share price, exercise multiple and risk free interest rate. Details of share-based payments are contained in Note 26.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sales of pantry staple food. All of the revenue of the Group is recognised at a point in time during the Track Record Period. Further details regarding the Group's principal activities are disclosed in Note 4(b).

Disaggregation of revenue by primary products is disclosed in Note 4(b)(i).

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years are as follows. Details of concentrations of credit risk of the Group are set out in Note 28(a).

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Company A	984,097	1,011,428	1,217,145
Company B	653,246	746,057	822,710

The Group takes advantage of the practical expedient in paragraph 121 of IFRS 15 and does not disclose the remaining performance obligation as all of the Group's sale contracts have an original expected duration of less than one year.

(b) Segment reporting

The Group manages its businesses by products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Rice products: this segment mainly produces pre-packaged rice products of different varieties.
- Whole grain, bean and other products: this segment mainly produces pre-packaged mixed brown rice, millet, red bean and sesame.
- Dried food and other products: this segment mainly produces pre-packaged wood ear mushrooms, snow fungus mushroom and lotus seeds, as well as by-products, such as bran, husk and fractioned rice.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred during the Track Record Period. Assistance provided by one segment to another is not measured.

The Group's other operating income and expenses, such as other net income, selling and distribution expenses, administrative expenses and impairment losses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance during the Track Record Period is set out below.

	Year ended 31 December 2020			
	Rice products	**Whole grain, bean and other products**	**Dried food and other products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	1,871,439	367,343	88,226	2,327,008
Reportable segment gross profit	285,489	107,553	11,631	404,673

	Year ended 31 December 2021			
	Rice products	**Whole grain, bean and other products**	**Dried food and other products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	2,891,598	471,941	234,712	3,598,251
Reportable segment gross profit	406,931	102,829	27,778	537,538

	Year ended 31 December 2022			
	Rice products	**Whole grain, bean and other products**	**Dried food and other products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	3,621,740	523,232	387,948	4,532,920
Reportable segment gross profit	600,824	126,383	52,340	779,547

(ii) Geographic information

The Group does not have material assets or operation outside the PRC. All of the Group's revenue is generated from its customers in the PRC. Hence, no segment analysis based on geographical location of the customers and assets is presented.

5 OTHER NET INCOME

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	65	248	2,037
Net income from sales of raw materials	764	967	2,252
Net loss on disposal of property, plant and equipment	(1,024)	(814)	(888)
Investment income	–	4,846	8,035
Government grants	7,205	44,030	15,967
	7,010	49,277	27,403

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

(a) Finance costs

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on bank and other loans	20,049	9,423	3,300
Interest on lease liabilities	229	666	609
	20,278	10,089	3,909

No borrowing costs have been capitalised for each of the years ended 31 December 2020, 2021 and 2022.

(b) Staff costs#

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	70,869	151,364	265,338
Contributions to defined contribution retirement schemes	2,110	9,660	16,331
Share-based payment expenses *(Note 26)*	–	187,348	739,569
	72,979	348,372	1,021,238

The employees of the subsidiaries of the Group participate in defined contribution retirement benefit scheme managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes during the Track Record Period. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement scheme at their normal retirement age. During the year ended 31 December 2020, the subsidiaries have been granted certain exemption of social insurance expenses according to social insurance relief policies by local government authorities considering the effect of COVID-19 pandemic ("COVID-19") outbreak. Such exemption was not granted for the year ended 31 December 2021 and 2022 along with the recovery from COVID-19 in a whole.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions. Contributions to the scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

(c) Other items

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories# *(Note 15)*	1,922,335	3,060,713	3,753,373
Depreciation# *(Notes 11 and 12)*			
– owned property, plant and equipment	8,719	20,802	38,504
– right-of-use assets	3,467	8,273	11,206
Rental expenses#	2,307	4,132	2,491
Professional service fee in connection with the proposed [**REDACTED**] of the Company's shares	–	–	10,102

Cost of inventories include RMB38.4 million, RMB80.4 million and RMB102.7 million relating to staff costs, depreciation expenses and rental expenses for each of the years ended 31 December 2020, 2021 and 2022, respectively, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX

(a) Income tax in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current taxation	4,878	7,581	5,883

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	18,852	(165,283)	(558,336)
Expected tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned *(Note (i))*	4,713	(41,321)	(139,584)
Tax effect of non-deductible expenses	53,559	110,741	232,865
Effect of PRC tax concession *(Note (ii))*	(55,289)	(63,031)	(99,347)
Tax effect of unused tax losses and deductible temporary differences not recognised	1,895	1,192	11,949
Income tax	4,878	7,581	5,883

Notes:

(i) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the Track Record Period.

(ii) In accordance with relevant tax regulations in the PRC, the Group's business in primary processing of agricultural products is eligible for income tax exemption.

8 DIRECTORS' EMOLUMENTS

Details of emoluments of directors and supervisors are as follows:

	Year ended 31 December 2020						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Subtotal	Share-based payments *Note (v)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Wang Bing	–	832	–	2	834	–	834
Ms. Zhao Wenjun	–	373	–	2	375	–	375
Ms. Zhao Shulan	–	305	20	1	326	–	326
Mr. Shu Minghe	–	354	–	2	356	–	356
Mr. Zhao Wenchen	–	210	–	6	216	–	216
	–	2,074	20	13	2,107	–	2,107
Non-executive director							
Mr. Chang Bin	–	–	–	–	–	–	–
Supervisor							
Ms. Zhao Shujuan	–	108	–	–	108	–	108
	–	2,182	20	13	2,125	–	2,125

	Year ended 31 December 2021						
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Subtotal**	**Share-based payments** *(Note (v))*	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Wang Bing	–	1,004	–	42	1,046	–	1,046
Ms. Zhao Wenjun	–	500	–	–	500	65,572	66,072
Ms. Zhao Shulan	–	614	–	19	633	46,837	47,470
Mr. Shu Minghe	–	521	–	29	550	37,470	38,020
Mr. Shen Nanpeng	–	–	–	–	–	–	–
Mr. Yu Feng	–	–	–	–	–	–	–
	–	2,639	–	90	2,729	149,879	152,608
Non-executive director							
Mr. Chang Bin	–	–	–	–	–	–	–
Supervisor							
Ms. Zhao Shujuan	–	270	–	–	270	18,735	19,005
	–	2,909	–	90	2,999	168,614	171,613

	Year ended 31 December 2022						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Subtotal	Share-based payments *(Note (v))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Wang Bing	–	1,011	6,500	50	7,561	547,319	554,880
Ms. Zhao Wenjun	–	607	3,000	6	3,613	143,667	147,280
Ms. Zhao Shulan	–	666	1,500	19	2,185	20,243	22,428
Mr. Shu Minghe	–	354	2,300	29	2,683	18,219	20,902
Mr. Zou Hao	–	814	960	10	1,784	–	1,784
Mr. Shen Nanpeng	–	–	–	–	–	–	–
Mr. Yu Feng	–	–	–	–	–	–	–
	–	3,452	14,260	114	17,826	729,448	747,274
Non-executive director							
Mr. Chang Bin	–	–	–	–	–	–	–
Supervisors							
Ms. Zhao Shujuan	–	360	850	–	1,210	5,061	6,271
Mr. He Yang	–	859	300	58	1,217	–	1,217
Mr. Li Xiang	–	422	250	48	720	–	720
Ms. Wang Zhijuan	–	256	150	22	428	–	428
	–	1,897	1,550	128	3,575	5,061	8,636
	–	5,349	15,810	242	21,401	734,509	755,910

Notes:

(i) Mr. Wang Bing was appointed as the chairman of the Board and an executive director of the Company on 17 August 2020. Ms. Zhao Shulan and Mr. Shu Minghe were appointed as executive directors of the Company on 17 August 2020. Ms. Zhao Wenjun was appointed as an executive director of the Company on 13 May 2019. Mr. Shen Nanpeng was appointed as an executive director of the Company on 5 April 2021. Mr. Yu Feng was appointed as an executive director of the Company on 7 April 2021. Mr. Zou Hao was appointed as an executive director of the Company on 20 December 2022. Mr. Zhao Wenchen was appointed as an executive director of the Company on 13 May 2019 and resigned as an executive director of the Company on 17 August 2020.

(ii) Ms. Zhao Shujuan was appointed as a supervisor of the Company on 13 May 2019 and resigned as a supervisor of the Company on 6 January 2023. Mr. He Yang, Mr. Li Xiang, and Ms. Wang Zhijuan were appointed as supervisors of the Company on 20 December 2022.

(iii) Mr. Chang Bin was appointed as non-executive directors of the Company on 17 August 2020.

(iv) Mr. Yeung Chi Tat, Mr. Shi Ketong and Mr. Lin Chen were appointed as independent non-executive directors of the Company in March 2023, with effective on the [**REDACTED**].

(v) These represent the estimated value of share awards granted to the directors or supervisors or transfers of paid-in capital from directors or supervisors to other investors above fair value. The value of these share-based payments is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(p)(iii). The details of these benefits in kind are disclosed in Note 26.

(vi) These directors' emoluments disclosed above included compensations for services rendered by them as key management personnel prior to their appointments as directors of the Company.

During the Track Record Period, no director or supervisor has waived for agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors and the supervisors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors, supervisor and other employees included in the five highest paid individuals for the years ended 31 December 2020, 2021 and 2022 are set forth below:

	Year ended 31 December		
	2020	**2021**	**2022**
	Number of individuals	*Number of individuals*	*Number of individuals*
Directors	3	3	4
Supervisor	–	1	–
Other employees	2	1	1
	5	5	5

The emoluments of the directors and supervisor are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals, are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	545	308	342
Discretionary bonuses	160	–	881
Share-based payments *(Note 26)*	–	18,734	5,060
Retirement scheme contributions	3	6	11
	708	19,048	6,294

The emoluments of the individuals who are not directors or supervisor and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December		
	2020	**2021**	**2022**
	Number of individuals	*Number of individuals*	*Number of Individuals*
Nil to HK$1,000,000	2	–	–
HK$7,000,001 to HK$7,500,000	–	–	1
HK$21,500,001 to HK$22,000,000	–	1	–

During the Track Record Period, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share during the Track Record Period is based on the profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue during the Track Record Period.

As described in Note 32(a), the Company was converted into a joint stock limited liability company and issued 99,445,074 shares with the par value of RMB1 each on 6 January 2023. For the purpose of computing basic earnings/(loss) per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock limited liability company was determined assuming the conversion into joint stock limited liability company had occurred on 1 January 2020, at the conversion ratio established in the conversion in January 2023 and does not take into account of the share split plan detailed in the "History, Development and Corporate Structure" section of the Document.

The financial instruments issued to investors with preferential rights were treated as treasury stock and debited to other reserve before the termination of preferential rights as described in Note 22. Accordingly, before the termination of preferential rights, the shares converted from related paid-in capital was deducted when calculating the number of ordinary shares deemed in issue.

Profit/(loss) of the year attributable to ordinary equity shareholders of the Company

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the year attributable to all equity shareholders of the Company	13,974	(172,864)	(564,219)
Allocation of (profit)/loss for the year attributable to financial instruments issued to investors *(Note 22)*	(585)	40,956	156,878
Profit/(loss) for the year attributable to ordinary equity shareholders of the Company	13,389	(131,908)	(407,341)

Weighted average number of shares

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Ordinary shares deemed to be in issue at 1 January	40,000	78,203	92,484
Effect of ordinary shares deemed to be in issue	33,057	10,386	2,174
Effect of the financial instruments issued to investors *(Note 22)*	(3,057)	(20,989)	(26,319)
Weighted average number of ordinary shares deemed to be in issue	70,000	67,600	68,339

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the Track Record Period, the Group's potential ordinary shares are from financial instruments issued to investors with preferential rights (Note 22). The potential ordinary shares were not included in the calculation of diluted earnings/(loss) per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings/(loss) per share for the year ended 31 December 2020, 2021 and 2022 are the same as basic earnings/(loss) per share for the respective years.

11 PROPERTY, PLANT AND EQUIPMENT

The Group:

	Plant and buildings	Machinery and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2020	31,367	39,811	47,074	118,252
Additions	–	15,080	149,395	164,475
Transfers in/(out)	10,530	9,602	(20,132)	–
Disposals	(63)	(2,006)	–	(2,069)
At 31 December 2020 and 1 January 2021	41,834	62,487	176,337	280,658
Additions	–	47,613	254,493	302,106
Transfers in/(out)	121,064	100,378	(221,442)	–
Disposals	(136)	(4,416)	–	(4,552)
At 31 December 2021 and 1 January 2022	162,762	206,062	209,388	578,212
Additions	–	42,704	323,942	366,646
Transfers in/(out)	299,893	149,061	(448,954)	–
Disposals	(126)	(3,502)	–	(3,628)
At 31 December 2022	462,529	394,325	84,376	941,230
Accumulated depreciation:				
At 1 January 2020	(3,748)	(11,174)	–	(14,922)
Charge for the year	(1,688)	(7,031)	–	(8,719)
Written back on disposals	8	567	–	575
At 31 December 2020 and 1 January 2021	(5,428)	(17,638)	–	(23,066)
Charge for the year	(6,384)	(14,418)	–	(20,802)
Written back on disposals	39	2,284	–	2,323
At 31 December 2021 and 1 January 2022	(11,773)	(29,772)	–	(41,545)
Charge for the year	(11,539)	(26,965)	–	(38,504)
Written back on disposals	37	1,342	–	1,379
At 31 December 2022	(23,275)	(55,395)	–	(78,670)
Net book value				
At 31 December 2022	439,254	338,930	84,376	862,560
At 31 December 2021	150,989	176,290	209,388	536,667
At 31 December 2020	36,406	44,849	176,337	257,592

The Company:

	Plant and buildings	Machinery and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2020	–	36	–	36
Additions	–	286	–	286
Disposals	–	(36)	–	(36)
At 31 December 2020 and 1 January 2021	–	286	–	286
Additions	–	19,062	45,033	64,095
At 31 December 2021 and 1 January 2022	–	19,348	45,033	64,381
Additions	–	5,432	82,170	87,602
Transfers in/(out)	120,233	2,735	(122,968)	–
Disposals	–	(64)	–	(64)
At 31 December 2022	120,233	27,451	4,235	151,919
Accumulated depreciation:				
At 1 January 2020	–	(5)	–	(5)
Charge for the year	–	(15)	–	(15)
Written back on disposals	–	12	–	12
At 31 December 2020 and 1 January 2021	–	(8)	–	(8)
Charge for the year	–	(349)	–	(349)
At 31 December 2021 and 1 January 2022	–	(357)	–	(357)
Charge for the year	(1,308)	(2,603)	–	(3,911)
Written back on disposals	–	12	–	12
At 31 December 2022	(1,308)	(2,948)	–	(4,256)
Net book value At 31 December 2022	118,925	24,503	4,235	147,663
At 31 December 2021	–	18,991	45,033	64,024
At 31 December 2020	–	278	–	278

At 31 December 2020, 2021 and 2022, land-use-right certificates of certain plant and buildings of the Group with carrying amount of RMB25.0 million, RMB29.0 million and RMB259.7 million, respectively, are yet to be obtained.

12 RIGHT-OF-USE ASSETS

The Group:

	Land-use-rights	Properties	Total
	RMB'000 *Note (a)*	*RMB'000* *Note (b)*	*RMB'000*
Cost:			
At 1 January 2020	29,063	6,016	35,079
Additions	738	12,560	13,298
At 31 December 2020 and 1 January 2021	29,801	18,576	48,377
Additions	34,011	10,349	44,360
Reductions due to early termination	–	(3,603)	(3,603)
Reductions due to expiration of leases	–	(511)	(511)
At 31 December 2021 and 1 January 2022	63,812	24,811	88,623
Additions	50,731	19,411	70,142
Reductions due to early termination	–	(15,970)	(15,970)
Reductions due to expiration of leases	–	(999)	(999)
At 31 December 2022	114,543	27,253	141,796
Accumulated depreciation:			
At 1 January 2020	(1,819)	(1,429)	(3,248)
Charge for the year	(874)	(2,593)	(3,467)
At 31 December 2020 and 1 January 2021	(2,693)	(4,022)	(6,715)
Charge for the year	(1,367)	(6,906)	(8,273)
Reductions due to early termination	–	2,495	2,495
Reductions due to expiration of leases	–	511	511
At 31 December 2021 and 1 January 2022	(4,060)	(7,922)	(11,982)
Charge for the year	(2,220)	(8,986)	(11,206)
Reductions due to early termination	–	9,945	9,945
Reductions due to expiration of leases	–	999	999
At 31 December 2022	(6,280)	(5,964)	(12,244)
Net book value:			
At 31 December 2022	108,263	21,289	129,552
At 31 December 2021	59,752	16,889	76,641
At 31 December 2020	27,108	14,554	41,662

The Company:

	Land-use-rights	Properties	Total
	RMB'000	*RMB'000*	*RMB'000*
	Note (a)	*Note (b)*	
Cost:			
At 1 January 2020, 31 December 2020 and 1 January 2021	–	–	–
Additions	34,011	1,015	35,026
At 31 December 2021,1 January 2022 and 31 December 2022	34,011	1,015	35,026
Accumulated depreciation:			
At 1 January 2020, 31 December 2020 and 1 January 2021	–	–	–
Charge for the year	(509)	(406)	(915)
At 31 December 2021 and 1 January 2022	(509)	(406)	(915)
Charge for the year	(680)	(529)	(1,209)
At 31 December 2022	(1,189)	(935)	(2,124)
Net book value:			
At 31 December 2022	32,822	80	32,902
At 31 December 2021	33,502	609	34,111
At 31 December 2020	–	–	–

(a) Land-use-right premiums was paid by the Group for land situated in the PRC. Lump sum payments were made upfront to acquire these land-use-rights, there are no ongoing payments to be made under the terms of the land lease.

At 31 December 2020, 2021 and 2022, certificates of certain land-use-rights of the Group with carrying amount of RMBNil, RMBNil and RMB23.6 million, respectively, are yet to be obtained.

(b) The Group has obtained the right to use the properties as its warehouse and offices through tenancy agreements. The leases typically run for an initial period of 1 to 5 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. For existing leases as 31 December 2020, 2021 and 2022, the Group is not reasonably certain to exercise any extension options therefore did not include future lease payments during the extension periods in the measurement of lease liabilities.

The analysis of expense items in relation to leases recognised in the Group's profit or loss is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	3,467	8,273	11,206
Expense relating to short-term leases	2,307	4,132	2,491
Interest on lease liabilities *(Note 6(a))*	229	666	609
	6,003	13,071	14,306

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 18(c) and 23, respectively.

13 INTERESTS IN SUBSIDIARIES

The Company:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Investments in subsidiaries, at cost	97,904	151,865	997,815
Contributions to subsidiaries *(Note (i))*	–	149,879	741,534
Amounts due from subsidiaries *(Note (ii))*	–	783,449	–
	97,904	1,085,193	1,739,349

Notes:

(i) During the year ended 31 December 2021 and 2022, RMB149.9 million and RMB591.7 million were recognised as contributions from the Company to the subsidiaries in relation to the share-based compensation expenses for the senior management of the Group.

(ii) The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. The directors of the Company consider these amounts due from subsidiaries are long-term interests that in substance form part of the Company's net investments in these subsidiaries.

14 OTHER NON-CURRENT ASSETS

The Group:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for construction in progress and land-use-rights	12,393	33,502	12,293

15 INVENTORIES

The Group:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	379,405	647,193	838,544
Work in progress	9,413	20,321	47,921
Finished goods	240,887	353,712	455,475
Packaging materials	17,726	30,178	33,225
	647,431	1,051,404	1,375,165
Less: write down of inventories	(188)	(1,621)	(2,494)
	647,243	1,049,783	1,372,671

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	1,922,147	3,059,280	3,752,500
Write down of inventories	188	1,433	873
	1,922,335	3,060,713	3,753,373

16 TRADE AND OTHER RECEIVABLES

The Group:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from:			
– Third parties	90,472	309,688	402,344
Less: loss allowance	(443)	(1,559)	(3,232)
	90,029	308,129	399,112
Bills receivables	–	15,698	16,634
Prepayments to suppliers	17,399	119,327	33,803
Prepayments for costs incurred in connection with the financing	–	–	3,302
Prepayments for costs incurred in connection with the proposed [**REDACTED**] of the Company's shares *(Note (i))*	–	–	8,913
	17,399	119,327	46,018
Value added tax recoverable	8,189	61,559	84,021
Deposits and amounts due from the e-commerce platforms	3,556	10,290	7,839
Deposits for bidding and purchase of land-use-rights	8,244	18,000	3,314
Guarantee deposits	–	2,000	–
Other receivables	1,158	1,296	21
Other deposits	3,996	13,156	8,157
Less: loss allowance	–	(111)	–
	25,143	106,190	103,352
Trade and other receivables	132,571	549,344	565,116

The Company:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to suppliers	13	43	46
Prepayments for costs incurred in connection with the financing	–	–	3,302
Prepayments for costs incurred in connection with the proposed [**REDACTED**] of the Company's shares *(Note (i))*	–	–	8,913
	13	43	12,261
Amounts due from the subsidiaries *(Note (ii))*	489,571	676,004	484,175
Value added tax recoverable	59	7,305	8,911
Deposits for bidding and purchase of land-use-rights	6,744	18,000	–
Other deposits	200	2,499	2,181
	496,574	703,808	495,267
Trade and other receivables	496,587	703,851	507,528

All of the trade and other receivables are expected to be recovered or recognised as expenses or transferred to equity within one year.

Notes:

(i) The balance at 31 December 2022 will be transferred to the capital reserve within equity upon the [**REDACTED**] of the Company's shares on the Stock Exchange.

(ii) All of the amounts due from the subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

Ageing analysis

At 31 December 2020, 2021 and 2022, the aging analysis of the Group's trade receivables (net of loss allowance) based on the invoice date is as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	84,379	292,177	390,539
4 to 6 months	4,235	10,617	7,112
7 to 12 months	1,247	5,285	1,256
Over 1 year	168	50	205
	90,029	308,129	399,112

Details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 28(a).

17 FINANCIAL ASSETS AT FVPL

The financial assets measured at FVPL represent wealth management products with variable returns. Further information on the fair value measurement is disclosed in Note 28(e).

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	24,121	108,215	120,360

The Company:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	232	7,188	5,020

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank and other loans	**Dividend payable**	**Lease liabilities**	**Financial instruments issued to investors**	**Total**
	RMB'000 *(Note 21)*	*RMB'000*	*RMB'000* *(Note 23)*	*RMB'000* *(Note 22)*	*RMB'000*
At 1 January 2020	197,085	–	4,223	–	201,308
Changes from financing cash flows:					
Proceeds from bank and other loans	1,690,317	–	–	–	1,690,317
Repayment of bank and other loans	(1,608,338)	–	–	–	(1,608,338)
Proceeds from the issuance of financial instruments to investors	–	–	–	150,464	150,464
Dividends paid	–	(50,000)	–	–	(50,000)
Finance costs paid	(20,049)	–	–	–	(20,049)
Capital element of lease rentals paid	–	–	(3,981)	–	(3,981)
Interest element of lease rentals paid	–	–	(229)	–	(229)
Total changes from financing cash flows	61,930	(50,000)	(4,210)	150,464	158,184
Other changes:					
Increase in lease liabilities	–	–	12,560	–	12,560
Issuance of Series A-1 investor's right to subscribe for additional registered capital	–	–	–	4,760	4,760
Changes in the carrying amount of financial instruments issued to investors	–	–	–	207,342	207,342
Dividends declared	–	50,000	–	–	50,000
Exchange adjustments	–	–	–	(464)	(464)
Finance costs	20,049	–	229	–	20,278
Total other changes	20,049	50,000	12,789	211,638	294,476
At 31 December 2020	279,064	–	12,802	362,102	653,968

	Bank and other loans	Lease liabilities	Financial instruments issued to investors	Total
	RMB'000 *(Note 21)*	*RMB'000* *(Note 23)*	*RMB'000* *(Note 22)*	*RMB'000*
At 1 January 2021	279,064	12,802	362,102	653,968
Changes from financing cash flows:				
Proceeds from bank and other loans	535,586	–	–	535,586
Repayment of bank and other loans	(764,650)	–	–	(764,650)
Proceeds from the issuance of financial instruments to investors, net of transaction costs	–	–	1,187,572	1,187,572
Finance costs paid	(9,423)	–	–	(9,423)
Capital element of lease rentals paid	–	(5,995)	–	(5,995)
Interest element of lease rentals paid	–	(666)	–	(666)
Total changes from financing cash flows	(238,487)	(6,661)	1,187,572	942,424
Other changes:				
Increase in lease liabilities	–	10,349	–	10,349
Reductions in lease liabilities due to early termination	–	(1,141)	–	(1,141)
Transaction costs for the issuance of financial instruments to investors	–	–	13,000	13,000
Issuance of financial instruments to investors by transfer of paid-in capital	–	–	400,000	400,000
Changes in the carrying amount of financial instruments issued to investors	–	–	244,748	244,748
Effect of the modification of the redemption rights	–	–	(334,006)	(334,006)
Exchange adjustments	–	–	(572)	(572)
Finance costs	9,423	666	–	10,089
Total other changes	9,423	9,874	323,170	342,467
At 31 December 2021	50,000	16,015	1,872,844	1,938,859

	Bank and other loans	Dividend payable	Lease liabilities	Financial instruments issued to investors	Total
	RMB'000 *(Note 21)*	*RMB'000*	*RMB'000* *(Note 23)*	*RMB'000* *(Note 22)*	*RMB'000*
At 1 January 2022	50,000	–	16,015	1,872,844	1,938,859
Changes from financing cash flows:					
Proceeds from bank and other loans	417,418	–	–	–	417,418
Repayment of bank and other loans	(72,930)	–	–	–	(72,930)
Dividends paid	–	(200,000)	–	–	(200,000)
Finance costs paid	(2,883)	–	–	–	(2,883)
Capital element of lease rentals paid	–	–	(7,928)	–	(7,928)
Interest element of lease rentals paid	–	–	(609)	–	(609)
Total changes from financing cash flows	341,605	(200,000)	(8,537)	–	133,068
Other changes:					
Increase in lease liabilities	–	–	19,411	–	19,411
Reductions in lease liabilities due to early termination	–	–	(7,492)	–	(7,492)
Issuance of financial instruments to investors by transfer of paid-in capital and granting redemption rights	–	–	–	120,961	120,961
Issuance of financial instruments to investors by transfer of Series A-1 paid-in capital with redemption rights	–	–	–	207,760	207,760
Changes in the carrying amount of financial instruments issued to investors	–	–	–	178,596	178,596
Dividends declared	–	200,000	–	–	200,000
Finance costs	3,300	–	609	–	3,909
Total other changes	3,300	200,000	12,528	507,317	723,145
At 31 December 2022	394,905	–	20,006	2,380,161	2,795,072

(c) Total cash outflow for leases

Amounts included in the consolidated statements of cash flows represent leases rental paid and comprise the following:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	(2,307)	(4,132)	(2,491)
Within investing cash flows	(9,233)	(47,509)	(28,738)
Within financing cash flows	(4,210)	(6,661)	(8,537)
	(15,750)	(58,302)	(39,766)

19 TRADE AND OTHER PAYABLES

The Group:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Related parties *(Note 30(d))*	1,143	–	–
– Third parties	147,067	119,979	171,626
	148,210	119,979	171,626
Payables for staff related costs	14,222	25,193	66,193
Payables for construction and purchase of property, plant and equipment	6,816	16,394	43,603
Amounts due to related parties *(Note (i) and Note 30(d))*	1,500	1,500	–
Payables for costs incurred in connection with the proposed [**REDACTED**] of the Company's shares	–	–	12,129
Others	1,485	3,818	5,910
	24,023	46,905	127,835
Financial liabilities measured at amortised cost	172,233	166,884	299,461
Refund liabilities	585	588	949
Payables for miscellaneous taxes	2,302	1,220	3,138
	175,120	168,692	303,548

The Company:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Third parties	–	–	39
Payables for staff related costs	–	78	15,288
Payables for construction and purchase of property, plant and equipment	–	299	6,882
Payables for costs incurred in connection with the proposed [**REDACTED**] of the Company's shares	–	–	12,129
Others	88	17	–
	88	394	34,299
Financial liabilities measured at amortised cost	88	394	34,338
Payables for miscellaneous taxes	–	57	121
	88	451	34,459

Note:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

As of the end of the reporting period, the ageing analyses of the Group's trade payables, based on the invoice date, are as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within one year or on demand	148,210	119,979	171,626

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

20 CONTRACT LIABILITIES

The Group:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities due to third parties	4,153	18,580	31,564

All of the contract liabilities are expected to be recognised as revenue within one year.

Movements in contract liabilities

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	3,047	4,153	18,580
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(3,047)	(4,153)	(18,580)
Increase in contract liabilities as a result of receipts in advance	4,153	18,580	31,564
Balance at 31 December	4,153	18,580	31,564

21 BANK AND OTHER LOANS

(a) The Group's bank and other loans comprised:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans:			
Guaranteed by related parties *(Note 21(d))*	–	20,000	224,769
Guaranteed by a third party	10,000	–	–
Guaranteed by related parties and a third party *(Note 21(e))*	30,000	30,000	–
Guaranteed by related parties and secured by property, plant and equipment and land-use-rights of the Group *(Notes 21(c) and 21(f))*	10,000	–	120,136
	50,000	50,000	344,905
Other loans:			
Secured by trade receivables of the Group *(Note 21(c))*	229,064	–	50,000
	279,064	50,000	394,905

(b) The Group's bank and other loans are repayable as follows:

At 31 December 2020, 2021 and 2022, the bank and other loans were repayable as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	279,064	50,000	394,905

(c) Certain of the Group's bank and other loans are secured by the following assets of the Group:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	–	–	114,582
Land-use-rights	24,026	–	23,037
Trade receivables	2,542	–	106,004
	26,568	–	243,623

(d) The short-term bank loans are guaranteed by the equity shareholders of the Company and close family members of the equity shareholders of the Company.

(e) The short-term bank loans are guaranteed by the equity shareholders of the Company and close family members of the equity shareholders of the Company, and guaranteed by a third party.

(f) The short-term bank loans are guaranteed by the equity shareholders of the Company and close family members of the equity shareholders of the Company, and secured by property, plant and equipment and land-use-rights of the Group.

(g) At 31 December 2020, 2021 and 2022, the Group's banking facilities amounting to RMB20.0 million, RMB20.0 million and RMB520.0 million, were utilised to the extent of RMB10.0 million, RMBNil and RMB344.5 million, respectively.

(h) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 28(b). At 31 December 2020, 2021 and 2022, none of the covenants relating to the bank loans had been breached.

(i) On 6 March 2023, all guarantees provided by the related parties for the Group's bank loans have been released.

22 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

The Group and the Company:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Redemption liabilities *(Note 22(a))*	317,461	1,872,844	2,380,161
Series A-1 investor's right to subscribe for additional registered capital *(Note 22(b))*	44,641	–	–
	362,102	1,872,844	2,380,161

(a) Redemption liabilities

The movements of the redemption liabilities during the Track Record Period are set out below:

	Redemption liabilities
	RMB'000
At 1 January 2020	–
Grant of redemption right in Series A-1 financing	150,000
Changes in the carrying amount of redemption liabilities	167,461
At 31 December 2020 and 1 January 2021	317,461
Grant of redemption right in Series A-2 financing as a result of exercise of Series A-1 investor's right to subscribe for additional registered capital *(Note 22(b))*	257,295
Grant of redemption right in Series B financing	1,050,000
Effect of the paid-in capital transfer and granting redemption rights to the transferees *(Note 26(b))*	400,000
Changes in the carrying amount of redemption liabilities	182,094
Effect of the modification of the redemption rights	(334,006)
At 31 December 2021 and 1 January 2022	1,872,844
Effect of the paid-in capital transfer and granting redemption rights to the transferee *(Note 26(b))*	120,961
Effect of the Series A-1 paid-in capital transfer with redemption rights *(Note 27(c))*	207,760
Changes in the carrying amount of redemption liabilities	178,596
At 31 December 2022	2,380,161

From July 2020 to October 2022, the Company conducted several rounds of financing by issuing registered capital to investors and the investors were granted a right to put back to the Company the registered capital acquired upon the occurrence of any of the following events: (i) no qualified [**REDACTED**] has been consummated within five (5) or six (6) years following the closing of series financing; (ii) any material breach of the agreements made with the financing investors under the transaction documents; (iii) any founding shareholders resign or is unable to act as the key management or core staff due to any subjective reasons before a qualified [**REDACTED**]; (iv) the other financing investors required the Company to redeem their registered capital based on the above events (i), (ii) and (iii).

The redemption price is as follows:

- For the Series A-1 and A-2 investors, the redemption price is the higher of (i) the investment amount paid by the investors, plus an annual compound interest rate of 10% on the investment amount for the period commencing from the relevant payment date of the investment amount to the date on which the investors receive payments for redemption, and any declared but undistributed dividends; and (ii) the market fair value of the paid-in capital with redemption rights required to be redeemed. Upon the Series B financing agreements dated on 12 April 2021, the redemption rights of the Series A-1 and A-2 investors were amended, such that (ii) above was removed. The changes in the carrying amount of the redemption liabilities as a result of such modification was charged to equity, since the modification is a transaction between the Company and its shareholders in their capacity as owners.

- For the Series B and Series C investors, the redemption price is the investment amount paid by the investors, plus an annual simple interest rate of 10% on the investment amount for the period commencing from the relevant payment date of investment amount to the date on which the investors receive payments for redemption, and any declared but undistributed dividends.

The redemption rights will automatically expire upon the [**REDACTED**] of the Company's shares on the Stock Exchange.

(b) Series A-1 investor's right to subscribe for additional registered capital

The movements of the Series A-1 investor's right to subscribe for additional registered capital are set out below:

	Series A-1 investor's right to subscribe for additional registered capital
	RMB'000
At 1 January 2020	–
Issuance of Series A-1 investor's right	4,760
Changes in fair value through profit or loss	39,881
At 31 December 2020 and 1 January 2021	44,641
Changes in fair value through profit or loss	62,654
Exercise of Series A-1 investor's right	(107,295)
At 31 December 2021, 1 January 2022 and 31 December 2022	–

In addition to the redemption right, the Series A-1 investor was granted a right to subscribe for additional registered capital up to RMB4,618,000 at a pre-determined enterprise value based on the revenue of the Group for the year ended 31 December 2020. This right would expire 12 months from the completion of the Series A-1 financing. In March 2021, the Series A-1 investor exercised the right and subscribe for additional registered capital of RMB4,618,000 at a consideration of RMB150,000,000.

The Series A-1 investor's right to subscribe for additional registered capital is accounted for as a derivative financial liability measured at fair value through profit or loss.

23 LEASE LIABILITIES

The lease liabilities were repayable as follows as of the end of the reporting period:

The Group:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	4,720	7,611	8,957
After 1 year but within 2 years	4,155	6,772	5,022
After 2 years but within 5 years	3,927	1,632	6,027
	8,082	8,404	11,049
	12,802	16,015	20,006

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

The Group:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Net balance of income tax payable at 1 January	3,849	2,597	6,814
Provision for the year *(Note 7(a))*	4,878	7,581	5,883
Income tax paid	(6,130)	(3,364)	(6,815)
Income tax payable at 31 December	2,597	6,814	5,882

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(r), the Group has not recognised deferred tax assets in respect of cumulative unused tax losses and deductible temporary differences arising from certain subsidiaries of the Group of RMB0.6 million, RMB4.3 million and RMB52.1 million as of 31 December 2020, 2021 and 2022, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

25 DEFERRED INCOME

Various local government authorities have provided government grants to the Group for the purchase of certain property, plant and equipment and land-use-rights. Movements of the balances during the Track Record Period are as follows:

The Group:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	6,540	17,218	32,619
Government grants received during the year	10,678	17,160	3,622
Amortisation during the year	–	(1,759)	(3,383)
At the end of the year	17,218	32,619	32,858

26 SHARE-BASED PAYMENTS

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Share awards *(Note 26(a))*	–	–	690,986
Transfers of paid-in capital among the equity shareholders *(Notes 22(a)* and *26(b))*	–	187,348	48,583
	–	187,348	739,569

(a) Share awards

During the year ended 31 December 2022, RMB9,236,155 paid-in capital held by Shenyang Shiyue Zhongxin Enterprise Management Consulting Partnership (Limited Partnership) ("Shiyue Zhongxin") were granted to Mr. Wang Bing and Ms. Zhao Wenjun at a price of RMB1 per unit paid-in capital by allocation of the partnership interests of Shiyue Zhongxin. The share awards were vested immediately at the grant date.

The grant date fair value of the share-based payments is measured at the difference between the fair value of RMB75.8 per unit paid-in capital at the grant date and the price of RMB1 per unit paid-in capital.

(b) Transfers of paid-in capital among the equity shareholders

Simultaneous with the Series B financing in April 2021, two investors purchased RMB3,681,000 paid-in capital at RMB108.7 per unit paid-in capital from Shenyang Shiyue Daotian Enterprise Management Consulting Partnership (Limited Partnership) ("Shiyue Daotian Enterprise Management"), controlled by certain senior managements of the Group. The new investors were immediately granted redemption rights after the paid-in capital transferred. The difference of RMB187,348,000 between the consideration of RMB400,000,000 paid to Shiyue Daotian Enterprise Management and the fair value of RMB212,652,000 of the transferred paid-in capital, was recognised as share-based compensation expenses in profit or loss.

Simultaneous with the Series C financing in October 2022, a new investor purchased RMB955,000 paid-in capital at RMB126.7 per unit paid-in capital from Shiyue Daotian Enterprise Management, controlled by certain senior managements of the Group. The new investor was immediately granted redemption right after the paid-in capital transferred. The difference of RMB48,583,000 between consideration of RMB120,961,000 paid to Shiyue Daotian Enterprise Management and the fair value of RMB72,377,000 of the transferred paid-in capital, was recognised as share-based compensation expenses in profit or loss.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Paid-in capital	Capital reserve	Other reserve	Statutory reserve	(Accumulated losses)/retained profits	Total
	RMB'000 *(Note 27(b))*	RMB'000 *(Note 27(d))*	RMB'000 *(Note 27(e))*	RMB'000 *(Note 27(f))*	RMB'000	RMB'000
At 1 January 2020	40,000	–	–	–	(2,473)	37,527
Changes in equity for 2020:						
Profit and total comprehensive income for the year	–	–	–	–	169,580	169,580
Capital contributions *(Note 27(b))*	38,203	137,501	–	–	–	175,704
Recognition of redemption liabilities for the preferential rights *(Note 22(a))*	–	–	(150,000)	–	–	(150,000)
Appropriation to statutory reserve	–	–	–	16,711	(16,711)	–
At 31 December 2020 and 1 January 2021	78,203	137,501	(150,000)	16,711	150,396	232,811
Changes in equity for 2021:						
Loss and total comprehensive income for the year	–	–	–	–	(288,035)	(288,035)
Capital contributions *(Note 27(b))*	14,281	1,280,586	–	–	–	1,294,867
Recognition of redemption liabilities for the preferential rights *(Note 22(a))*	–	–	(1,307,295)	–	–	(1,307,295)
Transfer of paid-in capital among the equity shareholders *(Note 26(b))*	–	–	(212,652)	–	–	(212,652)
Effect of the modification of the redemption rights *(Note 22(a))*	–	–	334,006	–	–	334,006
At 31 December 2021 and 1 January 2022	92,484	1,418,087	(1,335,941)	16,711	(137,639)	53,702
Changes in equity 2022:						
Loss and total comprehensive income for the year	–	–	–	–	(271,611)	(271,611)
Capital contributions *(Note 27(b)) (Note)*	6,961	21,449	–	–	–	28,410
Transfer of paid-in capital among the equity shareholders *(Note 26(b))*	–	–	(72,377)	–	–	(72,377)
Share-based payments *(Note 26(a))*	–	690,986	–	–	–	690,986
Dividends to shareholders *(Note 27(c))*	–	–	–	–	(200,000)	(200,000)
Deemed distribution *(Note 27(c))*	–	–	(207,760)	–	–	(207,760)
At 31 December 2022	99,445	2,130,522	(1,616,078)	16,711	(609,250)	21,350

Note: On 27 December 2022, certain shareholders paid further RMB21,449,000 to compensate their prior assets contributions as paid-in capital which were invested and transferred to the Group in 2005 and 2017. As the prior assets continued to be owned and used by the Group, the additional paid amounts were credited to the capital reserve.

(b) Paid-in capital

For the purpose of the Historical Financial Information, the paid-in capital as at 1 January 2020, 31 December 2020, 2021 and 2022 represented the paid-in capital of the Company. The Company is a limited liability company established on 3 May 2018 in Shenyang, Liaoning Province in the PRC. A summary of movements in the Company's paid-in capital is as follows:

	Paid-in capital
	RMB'000
At 1 January 2020	40,000
Issuance of capital to the founding shareholders	30,000
Issuance of capital to the Series A-1 investor	8,203
At 31 December 2020 and 1 January 2021	78,203
Issuance of capital to the Series A-2 investor *(Note 22(b))*	4,618
Issuance of capital to the Series B investors	9,663
At 31 December 2021 and 1 January 2022	92,484
Issuance of capital to Shiyue Zhongxin	6,961
At 31 December 2022	99,445

On 17 August 2020, the Company's paid-in capital was increased by RMB30,000,000 by all shareholders at a cash consideration of RMB30,000,000.

On 17 August 2020, the Company's paid-in capital was increased by RMB8,203,000 by series A-1 investor and granted series A-1 investor a right to subscribe for additional registered capital at a total cash consideration of USD22,100,000 (approximately RMB150,464,000), which was fully paid in September 2020. The excess of the aggregate cash consideration of RMB150,464,000 over the increase in the paid-in capital of RMB8,203,000 and the fair value of the Series A-1 investor's right to subscribe for additional registered capital of RMB4,760,000, amounting to RMB137,501,000 was credited to the capital reserve.

From March to June 2021, the Company's paid-in capital was increased by RMB14,281,000 at a cash consideration of RMB1,200,572,000 and at a conversion of series A-1 investor's rights to subscribe for additional registered capital (Note 22(b)) amounting to RMB107,295,000. The cash consideration was fully paid in 2021. The excess of the aggregate consideration of RMB1,307,867,000 over the increase in the paid-in capital of RMB14,281,000, net of transaction costs of RMB13,000,000, amounting to RMB1,280,586,000 was credited to the capital reserve.

(c) Dividends

During the Track Record Period, subsidiaries of the Group and the Company made the following distributions to the equity shareholders:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Wuchang Caiqiao	215,960	–	40,000
Shenyang Xinchang	213,177	–	40,000
	429,137	–	80,000
The Company	–	–	200,000

Prior to the completion of the Reorganisation, on 20 May 2020 and 4 August 2020, Shenyang Xinchang and Wuchang Caiqiao declared distributed dividends of RMB10,000,0000 and RMB40,000,000, respectively, to the then equity shareholders of the Company.

Simultaneous with the Series C financing in October 2022, a new investor purchased RMB1,988,901 paid-in capital at RMB126.7 per unit paid-in capital from a series A investor. The difference of RMB207,760,000 between consideration of RMB252,000,000 and the carrying amount of the redemption liabilities of RMB44,240,000 of the transferred paid-in capital, was recognised in the other reserve as deemed distribution.

(d) Capital reserve

The capital reserve comprises: (i) the differences between the considerations received and the nominal amount of paid-in capital issued by the Company and (ii) the difference between the grant date fair value and the exercise price of share awards which have been granted to and exercised by certain managements of the Group during the reporting periods.

(e) Other reserve

The other reserve includes reserve arising from the Reorganisation, amounts in relation to the initial recognition and modification of the redemption liabilities, transactions with the Company's shareholders and deemed distribution as set out in Note 27(c).

(f) Statutory reserve

In accordance with relevant PRC laws and regulations and the articles of association of subsidiaries of the Group established in the PRC, these subsidiaries were required to set up certain statutory reserves, which were non-distributable, to transfer 10% of their net profit to their respective statutory reserves until the respective reserves reach 50% of the respective registered capital. The statutory reserves can only be utilised for predetermined means upon approval by the shareholders' meeting.

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group is not exposed to significant currency risk.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The 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 the Group considers to have low credit risk. Deposits and amounts due from the e-commerce platforms, deposits for bidding and purchase of land-use-rights, guarantee deposits, other receivables and deposits have been classified as other receivables. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12-month ECLs as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for these assets by assessment of probability of default, loss given default and exposure at default. As at end of each reporting period, in view of the nature of these balances and historical settlement record, the Group considers that the provision of ECL allowance for these assets was not significant.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The 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, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2020, 2021 and 2022, 46%, 37%, and 29% of the total trade receivables, respectively, were due from the Group's largest debtor, and 71%, 82%, and 75% of the total trade receivables, respectively, were due from the Group's five largest debtors. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the 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 the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020, 2021 and 2022:

	At 31 December 2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
		RMB'000	*RMB'000*
Current (not past due)	0.1%	37,866	24
Within 3 months	0.2%	46,720	116
4 to 6 months	2.0%	4,623	91
7-12 months	10.1%	995	100
1-2 years	41.8%	268	112
		90,472	443

	At 31 December 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
		RMB'000	*RMB'000*
Current (not past due)	0.1%	180,423	49
Within 3 months	0.1%	112,051	154
4 to 6 months	2.5%	10,834	274
7-12 months	16.4%	6,277	1,029
1-2 years	46.2%	93	43
Over 2 years	100.0%	10	10
		309,688	1,559

	At 31 December 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
		RMB'000	*RMB'000*
Current (not past due)	0.1%	186,777	119
Within 3 months	0.5%	205,116	925
4 to 6 months	18.0%	8,712	1,565
7-12 months	35.7%	1,521	543
1-2 years	36.7%	218	80
		402,344	3,232

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 the Group's view of economic conditions over the expected lives of the receivables.

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	92	443	1,559
Impairment losses recognised during the year	368	1,245	9,698
Write-off of impairment losses	(17)	(129)	(8,025)
Balance at 31 December	443	1,559	3,232

(b) Liquidity risk

The treasury function is centrally managed by the Group, which includes the short-term investment of cash surpluses and the raising of funds to cover expected cash demands. The 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.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, 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 the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2020				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**1 year to 2 years**	**2 years To 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	284,241	–	–	284,241	279,064
Trade and other payables measured at amortised cost	172,233	–	–	172,233	172,233
Lease liabilities	4,863	4,451	4,394	13,708	12,802
	461,337	4,451	4,394	470,182	464,099

	At 31 December 2021				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**1 year to 2 years**	**2 years to 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	52,000	–	–	52,000	50,000
Trade and other payables measured at amortised cost	166,884	–	–	166,884	166,884
Lease liabilities	7,900	7,248	1,877	17,025	16,015
	226,784	7,248	1,877	235,909	232,899

	At 31 December 2022				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**1 year to 2 years**	**2 years to 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	408,393	–	–	408,393	394,905
Trade and other payables measured at amortised cost	299,461	–	–	299,461	299,461
Lease liabilities	9,133	5,985	6,713	21,831	20,006
	716,987	5,985	6,713	729,685	714,372

In addition to the above, the Group was also exposed to liquidity risk arising from financial instruments issued to investors at 31 December 2020, 2021 and 2022, which are further disclosed in Note 22.

(c) Interest rate risk

(i) Interest rate profile

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. The Group's interest rate risk arises primarily from interest-bearing borrowings issued at variable rates and at fixed rates, which expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

The following table details the interest rate profile of the Group's borrowings at the end of each reporting period.

	At 31 December 2020		At 31 December 2021		At 31 December 2022	
	Effective interest rate	RMB'000	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:						
– Bank and other loans	3.35%-7.30%	274,064	4.00%-5.40%	50,000	4.10%~5.00%	274,769
– Lease liabilities	4.75%	12,802	4.75%	16,015	4.3%~4.75%	20,006
		286,866		66,015		294,775
Variable rate borrowings:						
– Bank and other loans	4.25%	5,000		–	3.70%	120,136
Total borrowings		291,866		66,015		414,911
Fixed rate borrowings as a percentage of total borrowings		98%		100%		71%

(ii) Sensitivity analysis

At 31 December 2020, 2021 and 2022, 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 the Group's profit/(loss) after tax and retained profits/(accumulated losses) by approximately RMB50,000, RMBNil and RMB1,201,000, respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

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

(e) Fair value measurement

(i) Assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into 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 follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. 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 i.e. 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.

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at the end of each reporting date:

	Fair value at 31 December 2020	Fair value at 31 December 2021	Fair value measurements as at 31 December 2020 categorised into		Fair value measurements as at 31 December 2021 categorised into
			Level 2	Level 3	Level 2
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	20,000	30,000	20,000	–	30,000
Series A-1 investor's right to subscribe for additional registered capital	44,641	–	–	44,641	–

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products is determined with reference to the quotation published by the issuing bank as at the end of the year.

Information about Level 3 fair value measurements

As at 31 December 2020, the Group applied the discount cash flow method to determine the underlying equity value of the Group and adopted the Black-Scholes model to determine the fair value of the Series A-1 investor's right to subscribe for additional registered capital. Key assumptions are set as below:

	At 31 December
	2020
Risk-free interest rate	2.45%
Volatility	54%

As at 31 December 2020, if all other variables held constant, an increase/decrease in the risk free rate by 1% would have a decrease/increase impact on the Group's profit after tax by RMB370,000 and RMB373,000, respectively.

As at 31 December 2020, if all other variables held constant, an increase/decrease in the excepted volatility by 5% would have a decrease/increase impact on the Group's profit after tax by RMB559,000 and RMB579,000, respectively.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2020, 2021 and 2022.

29 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2020, 2021 and 2022 not provided for in the Historical Financial Information were as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	147,607	182,114	115,186

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	2,182	3,242	6,100
Discretionary bonuses	20	–	16,991
Contributions to defined contribution retirement schemes	13	96	285
Equity-settled share-based payment expenses	–	187,348	739,569
	2,215	190,686	762,945

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period:

Names of related parties	Nature of relationship
Wuchang Daoran Rice Planting Professional Cooperative (五常市道然水稻種植專業合作社) *(Note (i))*	Entity controlled by Mr. Zhao Wenchen
Wuchang Qiaoyatou Rice Planting Professional Cooperative (五常市俏丫水稻種植專業合作社) *(Note (i))*	Entity controlled by Mr. Zhao Wenchen
Wuchang Chaihuodayuan Rice Planting Professional Cooperative (五常市柴火大院水稻種植專業合作社) *(Note (i))*	Entity controlled by Mr. Zhao Wenchen
Wuchang Yanran Rice Planting Professional Cooperative (五常市言然水稻種植專業合作社) *(Note (i))*	Entity controlled by Mr. Zhao Wenchen
Wuchang Yeran Rice Planting Professional Cooperative (五常市野然水稻種植專業合作社) *(Note (i))*	Entity controlled by Mr. Zhao Wenchen
Shenyang Xinchang Planting Professional Cooperative (瀋陽信昌種植專業合作社) *(Note (i))*	Entity controlled by Ms. Zhao Shujuan
Wuchang Shenmi Rice Planting Professional Cooperative (五常市紳米水稻種植專業合作社) *(Note (i))*	Entity controlled by Mr. Zhao Wenchen
Xinmin Damintun Town Jinyunong Family Farm (新民市大民屯鎮金玉農家庭農場) *(Note (i))*	Entity controlled by Mr. Guo Yang
Shenyang Jinyinong Grain Trading Co., Ltd. (瀋陽市金一農糧食貿易有限公司) *(Note (i))*	Entity controlled by Mr. Guo Yang
Beijing Junsheng Xinyue Trading Co., Ltd. (北京君盛欣悅貿易有限公司) *(Note (i))*	Entity controlled by Ms. Zhao Wenjun and Ms. Wang Yue

Names of related parties	Nature of relationship
Beijing Heyulongsheng Trade Co., Ltd. (北京賀裕隆盛貿易有限公司) *(Note (i))*	Entity controlled by certain equity shareholders of the Company
Shangahi Yunfeng Xinchuang Investment Management Limited (上海雲鋒新創投資管理有限公司) *(Note (i))*	Entity significantly influenced by a director of the Company
Beijing Qicheng Century Consulting Co., Ltd. (北京啟承世紀諮詢有限公司) *(Note (i))*	Entity significantly influenced by a director of the Company
Mr. Wang Bing	An equity shareholder of the Company
Ms. Zhao Wenjun	An equity shareholder of the Company
Ms. Zhao Shujuan	An equity shareholder of the Company
Ms. Zhao Shumei	A close family member of an equity shareholder of the Company
Ms. Zhao Shulan	An equity shareholder of the Company
Mr. Shu Minghe	An equity shareholder of the Company
Mr. Zhao Wenchen	An equity shareholder of the Company
Ms. Wang Yue	A close family member of Mr. Wang Bing
Mr. Shu Baoxing	A close family member of Mr. Shu Minghe
Mr. Zheng Yunwei	A close family member of Ms. Zhao Shulan
Ms. Qiao Mingjie	A close family member of Mr. Zhao Wenchen
Ms. Lu Yao	A close family member of Mr. Shu Minghe
Ms. Zhao Yangqi	A close family member of Ms. Zhao Shujuan
Mr. Guo Yang	A close family member of Ms. Zhao Shujuan
Ms. Chen Hua	Senior management of the Company

Note:

(i) The official names of these entities are in Chinee. The English translation are for identification only.

(c) Transactions with related parties during the Track Record Period

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Receiving of services			
Entities controlled by equity shareholders of the Company	13,066	–	–
Entity controlled by close family member of a shareholder of the Company	499	550	550
	13,565	550	550
Purchases of goods			
Entity controlled by close family member of a shareholder of the Company	488	21,032	785
Entities controlled by equity shareholders of the Company	30,036	102,536	6,504
	30,524	123,568	7,289
Sales of goods			
Entity controlled by close family member of a shareholder of the Company	421	225	29
Entity controlled by equity shareholders of the Company	394	–	–
Equity shareholders of the Company	95	121	139
Close family members of the equity shareholders of the Company	2	–	54
Entities significantly influenced by directors of the Company	–	43	218
	912	389	440

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Loan received from related parties			
Close family member of the equity shareholder of the Company	12,930	–	–
Repayment of loan received from related parties			
Close family member of the equity shareholder of the Company	12,930	–	–
Advances received from related parties			
Entities controlled by equity shareholders of the Company	1,500	2,220	–
An equity shareholder of the Company	1,500	–	–
Close family members of the equity shareholders of the Company	33,300	–	–
Senior management of the Company	150	–	–
	36,450	2,220	–
Repayment of advances received from related parties			
Entities controlled by equity shareholders of the Company	1,500	2,220	1,500
An equity shareholder of the Company	1,500	–	–
Close family members of the equity shareholders of the Company	36,750	–	–
Senior management of the Company	150	–	–
	39,900	2,220	1,500
Advances granted to related parties			
Entities controlled by equity shareholders of the Company	15,391	–	–

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Repayment of advances granted to related parties			
Entities controlled by equity shareholders of the Company	15,512	–	–
Guarantees provided by related parties at the end of the reporting period			
The equity shareholders of the Company and their close family members	40,000	50,000	344,905
Interest expenses			
Interest paid to the close family member of the equity	185	–	–

The directors of the Company expect the above transaction in the form of (i) receiving of services; and (ii) sales of goods will be continued after the [**REDACTED**] of the Company's shares on the Stock Exchange.

All guarantees provided by the related parties for the Group's bank loans will be released prior to or upon the [**REDACTED**] of the Company's shares on the Stock Exchange.

(d) Balances with related parties as at the end of each reporting period

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature:			
Trade and other receivables			
– Prepayments to suppliers			
Entities controlled by equity shareholders of the Company	491	286	–
Entity controlled by close family member of a shareholder of the Company	–	138	138
	491	424	138

	At 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables ***(Note 19)***			
Entity controlled by an equity shareholder of the Company	1,143	–	–
Non-trade in nature:			
Trade and other payables ***(Note 19)***			
Entity controlled by an equity shareholder of the Company	1,500	1,500	–

All of the advances granted to and received from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. All of the loans received from related parties are unsecured, interest bearing and have no fixed terms of repayment.

31 ULTIMATE CONTROLLING PARTY

At 31 December 2022, the directors consider the ultimate controlling party of the Group to be Mr. Wang Bing.

32 SUBSEQUENT EVENTS

(a) Conversion into a joint stock limited company

On 6 January 2023, the Company was converted into a joint stock limited liability company and issued 99,445,074 shares with the par value of RMB1 each. On 17 January 2023, the Company completed the Series C financing and 2,029,491 new shares of the Company were issued to the Series C investor with the consideration of RMB285,714,000 and the investors were granted the redemption rights.

(b) Contingent liabilities in respect of a legal claim

In March 2023, certain companies of the Group are named defendants on a lawsuit in respect of disputes on trademarks infringement. As at the date of this report, this lawsuit is under review before the court, and the Group's bank deposits of RMB30.0 million has been frozen by the court for this lawsuit. Based on legal advices and assessment from the directors of the Company, no provision has been made in respect of this claim.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2022

Up to date of issue of the Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the accounting period beginning on 1 January 2022 and which have not been adopted in the Historical Financial Information. These include the following.

	Effective for accounting period beginning on or after
IFRS 17, *Insurance contracts* and amendments to IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1, *Non-current liabilities with covenants*	1 January 2024
Amendments to IFRS 16, *Lease liability in a sale and leaseback*	1 January 2024
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2022.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Circular on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the STA on June 28, 2011, for a domestic non-foreign invested enterprise who has been issuing shares in Hong Kong, its foreign individual shareholders may enjoy the relevant preferential tax treatment according to the taxation agreement between the PRC and the country where they reside and the taxation arrangement between the PRC and Hong Kong (or Macau). When domestic non-foreign invested enterprises, which issue stocks in Hong Kong, pay dividends and bonus, in general, it will withhold 10% of the dividends and profits as individual income tax and no applications are needed. Where the individuals who receive the dividends are residents of countries where the agreed tax rate is lower than 10%, the withholding agent shall, according to regulations provisions, handle the applications for relevant preferential treatments and refund the extra tax upon the approval of competent tax authorities. Where the individuals are residents of countries where the agreed tax rate is higher than 10% but lower than 20%, the withholding agent shall withhold the individual income tax according to the agreed actual tax rate when paying the dividends and bonuses and no applications are needed in such cases. Where the dividend receiving individuals are residents of countries which have not established tax treaties with China or other circumstances exist, the withholding agent shall withhold the individual income tax based on the rate of 20% when paying dividends and bonuses.

Enterprise Investors

In accordance with the EIT Law and the Implementation Rules of the EIT Law, the rate of EIT shall be 25%. A non-resident enterprise is generally subject to a 10% EIT on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular on Issues Relating to the Withholding and Remitting of EIT by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the STA on November 6, 2008, further clarified that a PRC-resident enterprise must withhold EIT at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying EIT on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was issued by the STA and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit EIT at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") on August 21, 2006, which came into effect on August 12, 2006. Pursuant to the Arrangement, the Chinese Government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including resident individuals and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC-resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC-resident enterprise, then such tax shall not exceed 5% of the total dividends payable by the PRC-resident enterprise. The Fifth Protocol of the Arrangement between the Mainland of the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 31, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese EIT imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the EIT in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

According to the Interim Regulations on Value-added Tax of the PRC and the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay VAT at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

According to the Notice on the Adjustment to VAT Rates, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. Subsequently, the MOF, the STA and the General Administration of Customs of the PRC jointly issued the Announcement on Relevant Policies for Deepening Value-Added Tax Reform to further adjust the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods to 13% and 9%, respectively.

In accordance with the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, transfer of financial products by individuals are exempt from VAT.

Income tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the Circular on Continuing to Temporarily Exempt Individual Income Tax on Income from the Transfer of Shares by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the MOF and the STA on March 30, 1998, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax since January 1, 1997.

On December 31, 2009, the MOF, the STA and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的通知》), which states that, since January 1, 2010, income derived by individuals from transfer of shares of listed companies issued to the public by the listed companies and transfer of shares of listed companies obtained from the market at the Shanghai Stock Exchange and the SZSE shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》) jointly issued and implemented by the above three departments on November 10, 2010.

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, in practice, the PRC tax authorities have not levied income tax from non-PRC resident individuals on gains from the transfer of PRC resident enterprises listed overseas. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Enterprise Investors

In accordance with the EIT Law and the Implementation Rules of the EIT Law, a non-resident enterprise is generally subject to EIT at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

According to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside China. Therefore, the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside the PRC.

Estate Duty

As of the Latest Practicable Date, no estate duty has been levied in the PRC under the PRC laws.

Shanghai-Hong Kong Stock Connect Taxation Policy and Shenzhen-Hong Kong Stock Connect Taxation Policy

On October 31, 2014 and November 5, 2016, the MOF, STA and CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) and the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), pursuant to which, the income from transfer differences and dividend and bonus income derived by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax in accordance with the law. In particular, the dividend and bonus income derived by PRC resident enterprises which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law. H-share companies do not withhold tax on dividends and bonus income of PRC enterprise investors, and the tax payable shall be declared and paid by enterprises.

For dividends and bonuses received by PRC individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, H-share companies shall submit an application to China Securities Depository and Clearing Corporation Limited, which shall provide H-share companies with a register of PRC individual investors. H-share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits at the competent tax authorities of the CSDC with valid tax deduction certificates. Individual income tax is levied on dividend and bonus income derived by PRC security investment funds from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in accordance with the above provisions.

On December 4, 2019, the MOF, the SAT and the CSRC jointly issued the Announcement on the Continued Implementation of the Individual Income Tax Policies on the Interconnection Mechanisms for Transactions in Shanghai and Hong Kong Stock Markets and for Transactions in Shenzhen and Hong Kong Stock Markets (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策對公告》), which stipulates that for PRC individual investors, the transfer difference income derived from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the trading of Hong Kong fund units through mutual recognition of funds will continue to be exempt from individual income tax on a temporary basis from December 5, 2019 to December 31, 2022.

Hong Kong Taxation

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to "Regulatory Overview" in this document.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the People's Bank of China (the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) classifies all international payments and transfers into current account items and capital account items. Current account items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital account items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and came into effect on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current account items, while imposing existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, the approval requirement by the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts is cancelled.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), a domestic company shall, within 15 business days from the date of the completion of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the SAFE Circular 16, discretionary foreign exchange settlement applies to foreign exchange capital, The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

The Notice on Further Facilitating Cross-Board Trade and Investment canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (the "**Constitution**"). The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC government is a signatory. Court judgments do not constitute legally binding precedents, although they may be used for the purposes of judicial reference and guidance.

The NPC is empowered to exercise the power to formulate and amend basic laws governing state authorities, civil, criminal and other matters in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》). The SCNPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend part of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The SCNPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities and take the same effect after submitting to the standing committee of the people's congresses of provinces or autonomous regions for approval. The standing committee of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. Where conflicts with the rules and regulations of the People's Government of the province or autonomous region concerned are identified in the examination of local regulations of larger cities by the Standing Committee of the people's congresses of provinces or autonomous regions, a decision should be made to deal with the matter. "Larger cities" refer to cities where the people's governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council.

The ministries, committees, People's Bank of China, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

According to the Constitution and the Organic Law of the People's Court of the PRC (《中華人民共和國人民法院組織法》) which was recently amended on October 26, 2018 and effective on January 1, 2019, the judicial system of China is composed of the Supreme People's Court, the local People's Court, the military court and other special People's Courts. Local People's Courts are composed of grassroots People's Courts, intermediate People's Courts and higher People's Courts. Grassroots People's Courts may mainly set up civil, criminal, administrative, supervisory and legal enforcement departments. The structure of the intermediate People's Court is similar to that of the grassroots People's Court, and other courts may be set up as required. A higher level People's Court shall supervise the trial work of the People's Court at its lower levels. The Supreme People's Court is the highest judicial organ in China, which has the right to supervise the trial work of People's Courts at all levels and all special People's Courts. The People's Procuratorate also has the right to exercise legal supervision over the trial activities of the People's Court.

For judgment of cases, the People's Court implements the system whereby the second instance is the final instance. The parties may, in accordance with the procedures prescribed by law, appeal to the People's Court at the next higher level the decision and ruling of the first instance of the local People's Court. The People's Procuratorate may protest to the People's Court at the next higher level in accordance with the procedures prescribed by law. If the parties do not appeal or the People's Procuratorate does not protest within the period of appeal, the judgment and ruling of the first instance of the local People's Court at all levels is the final judgment and ruling with legal effect. The judgment and ruling of the intermediate People's

Court, the higher People's Court and the Supreme People's Court of second instance and the Supreme People's Court of first instance are all final. Save for the judgment made by the Supreme People's Court, the death penalty shall be reported to the Supreme People's Court for approval.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**") was promulgated on April 9, 1991, recently amended on December 24, 2021 and became effective on January 1, 2022, prescribes the provisions for instituting a civil action, the jurisdiction of the People's Courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC shall comply with the Civil Procedure Law. In general, a civil case is heard by a court located in the defendant's place of domicile. The competent court may also be selected by express agreement amongst the parties to a contract provided that the court selected is located at the plaintiff's or the defendant's place of domicile, the place of executing or performing the contract or the object of the action. However, the provisions of this Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or foreign enterprise is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a juridical system of a foreign country limit the litigation rights of PRC citizens and enterprises, subject to the principle of reciprocity, the PRC courts may apply the same limitations to the citizens and enterprises (in China) of that foreign country. If any party to a civil action refuses to comply with a judgment or ruling made by a People's Court or an award made by an arbitration tribunal in the PRC, the other party may apply to the People's Court for the enforcement of the same within a stipulated period. Should anyone be unable to execute the judgment of the People's Court within a stipulated period, as a result of any party's application, the People's Court shall enforce such a judgment in accordance with the law.

When a party seeks to enforce a judgment or ruling of a People's Court against a party who is not in China and does not own any property in China, he/she may apply to a foreign court with formal jurisdiction for recognition and enforcement of the judgment or ruling. If the People's Court recognizes the validity of a legally effective judgment or ruling made by a foreign court applying for or requesting recognition and enforcement in accordance with an international treaty concluded or acceded to by China, or after reviewing in accordance with the principle of reciprocity, and considers that it does not violate the basic principles of the law in the PRC or national sovereignty, security or social and public interests, an enforcement order will be issued if enforcement is necessary, and relevant provisions shall be implemented. The People's Court shall not recognize and enforce those who violate the basic principles of the law in the PRC or the sovereignty, security or public interests of the state

THE PRC COMPANY LAW AND THE GUIDELINES FOR THE ARTICLES OF ASSOCIATION OF LISTED COMPANIES

The Company Law of the PRC (the "**PRC Company Law**") was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on December 29, 1993 and implemented on July 1, 1994. It was latest amended and implemented on October 26, 2018.

According to the Guidelines on the Application of Regulatory Rules – No. 1 for Overseas Offering and Listing (《監管規則適用指引–境外發行上市類第1號》) which was promulgated by the CSRC on February 17, 2023, and came into effect on March 31, 2023, the domestic companies that directly offer and list securities in overseas markets, shall formulate their articles of association in line with the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) (the "**PRC Guidelines on AoA**") promulgated by the CSRC on March 16, 2006 and latest amended on January 5, 2022.

Set out below is a summary of the major provisions of the PRC Company Law and the PRC Guidelines on AoA.

General Provisions

A "joint stock limited company" (in this Appendix IV the "**company**") refers to a corporate legal person incorporated in China under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by the laws or administrative regulations. The remaining shares may be offered for sale to the public or specific persons, unless otherwise provided by laws.

For companies incorporated by way of promotion, the registered capital is the total amount of share capital subscribed by all promoters registered with the company registration authority. No capital may be raised from others until the capital subscribed by the promoters has been fully paid up. Where a company is established by means of public offering, the registered capital shall be the total amount of paid up capital registered with the company registration authority.

The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies, and shall notify all subscribers or announce the date of convening the founding meeting 15 days before the founding meeting.

The founding meeting can only be convened in the presence of shareholders holding more than 50% of the total issued shares of the company. The founding meeting deals with the adoption of the Articles of Association drafted by the promoters and the election of the members of the board of directors and the supervisory board. All resolutions of the founding meeting shall be approved by more than half of the voting rights of the subscribers present at the meeting.

Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant administration for industry and commerce and a business license has been issued.

After the establishment of the company, if the promoters fail to make full capital contributions in accordance with the Articles of Association, the other promoters shall bear joint and several liability. If it is found that the actual amount of the non-monetary property as the capital contribution for the establishment of the company is significantly lower than the book value specified in the Articles of Association, the promoters who deliver the capital contribution shall make up the difference; other promoters shall bear joint and several liability.

A company's promoter shall be liable for the followings:

(i) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;

(ii) the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and

(iii) in the process of establishing a company, if the interests of the company are damaged due to the breach of contract of the promoters, the company shall be liable for compensation.

Repurchase of Shares

A company shall not purchase its own shares except under any of the following circumstances:

(i) Reducing the registered capital of the company;

(ii) Merging with another company that holds its shares;

(iii) Using shares for employee stock ownership plan or equity incentives;

(iv) A shareholder requesting the company to purchase the shares held by him since he objects to a resolution of the shareholders' meeting on the combination or division of the company;

(v) Using shares for converting convertible corporate bonds issued by the listed company; or

(vi) It is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (i) and (ii) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (iii), (v) and (vi) of the preceding paragraph may, pursuant to the bylaws or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (i), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (ii) or (iv), transfer or cancel them within six months; and while under the circumstance set forth in item (iii), (v) or (vi), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure according to the Securities Law of the PRC (《中華人民共和國證券法》) (the "**Securities Law**"). A listed company purchasing its own shares under any of the circumstances set forth in items (iii), (v) and (vi) of paragraph 1 of this article shall carry out trading in a public and centralized manner.

The company shall not accept the shares of the company as the subject matter of the pledge.

Transfer of Shares

Shares may be transferred in accordance with relevant laws and regulations. Registered shares shall be transferred by means of endorsement or other means prescribed by laws or administrative regulations; after the transfer, the company shall record the name and domicile of the transferee in the register of shareholders of the company. Within 20 days before the general meeting of shareholders or within 5 days before the record date of dividend distribution determined by the company, the above-mentioned register of shareholders shall not be changed. The transfer of bearer shares shall take effect when the shareholder delivers the shares to the transferee. The shares of the company held by the promoters shall not be transferred within one year from the date of establishment of the company. The directors, supervisors and senior management personnel of the company shall report to the company the shares held by them and their changes, and the shares transferred each year during their term of office shall not exceed 25% of the total shares of the company held by them. The above-mentioned personnel shall not transfer their shares of the company within half a year after their resignation. The Articles of Association may make other restrictive provisions on the transfer of shares held by the directors, supervisors and management personnel of the company.

Shareholders

The Company's Articles of Association prescribe the rights and obligations of shareholders and are binding on all shareholders. According to the PRC Company Law and the PRC Guidelines on AoA, shareholders of the Company's ordinary shares are entitled to the following rights:

(i) to receive dividends and other distributions according to the number of shares held;

(ii) to attend the general meeting in person or by proxy and exercise the right to vote on the number of shares held;

(iii) to supervise, forward suggestions on or question the Company's operations;

(iv) transfer, donate or pledge its shares in accordance with applicable laws and regulations and the company's Articles of Association;

(v) to inspect the company's Articles of Association, register of shareholders, counterfoil of creditor's rights, minutes of shareholders' meeting, resolutions of the board of directors, resolutions of the supervisory board and financial and accounting reports;

(vi) to acquire the remaining assets of the company in proportion to its shareholding at the time of termination or liquidation;

(vii) any shareholder who has a different view on a resolution on the merger or division of the Company made by a shareholders' general meeting has the right to require the Company to acquire its shares; and

(viii) any other shareholder's rights specified in the laws, regulations and company's Articles of Association.

The obligations of the shareholders include to abide by the Articles of Association of the company, to pay the subscription amount for the subscribed shares, to bear the debts and liabilities of the company to the extent of the subscription amount agreed by the shareholders for the subscribed shares, not to abuse the rights of the shareholders to damage the interests of the company or other shareholders of the company, and not to abuse the independent status and limited liability of the company as a legal person to damage the interests of the creditors of the company, and any other shareholder's obligations under the company's Articles of Association.

General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to decide on the company's operational objectives and investment plans;

(ii) to elect and replace and to decide on the matters relating to the remuneration of directors and supervisors who are not staff representatives;

(iii) to review and approve the reports of the board of directors;

(iv) to review and approve the reports of the board of supervisors;

(v) to review and approve the company's annual financial budgets and final accounts;

(vi) to review and approve the company's profit distribution proposals and loss recovery proposals;

(vii) to review and approve on any increase or reduction of the company's registered capital;

(viii) to review and approve the issue of corporate bonds;

(ix) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(x) to amend the company's Articles of Association; and

(xi) to exercise any other authority stipulated in the Articles of Association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the Articles of Association;

(ii) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

(iv) the board deems necessary;

(v) the supervisory board proposes to hold; or

(vi) any other circumstances as provided for in the Articles of Association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice-chairman. In the event that the vice-chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

The PRC Company Law has no specific provisions on the quorum of shareholders to attend the general meeting of shareholders.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

Under the PRC Company Law, resolutions of the general meeting shall be passed by more than half of the voting rights held by shareholders (including those represented by the appointed representative), with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the Articles of Association, which in each case shall be passed by at least two-thirds of the voting rights held by the shareholders (including those represented by the appointed representative).

The shareholders may entrust the entrusted representative to attend the general meeting of shareholders, and the power of attorney shall specify the scope of exercising the voting right.

The PRC Company Law has no specific provisions on the quorum of shareholders.

Board

A company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board may include staff representatives. The term of a director shall be stipulated in the PRC Company Law, provided that no term of office shall last for more than three years.

The board of directors shall meet at least twice a year. The notice of the meeting shall be sent to all directors and supervisors at least ten days before the meeting. The board of directors may prescribe the method and period of notice for convening the interim meeting of the board of directors.

Under the PRC Company Law, the board of directors may exercise its powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate proposal for the company's annual financial budgets and final accounts;

(v) to formulate the company's profit distribution proposals and loss recovery proposals;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(viii) to decide on the setup of the company's internal management organs;

(ix) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(x) to formulate the company's basic management system; and

(xi) to exercise any other authority stipulated in the Articles of Association.

In addition, the PRC Guidelines on AoA stipulate that the board of directors shall also be responsible for the formulation of the company's amendment plan to the Articles of Association. The meeting of the board of directors can be held only when half of the directors are present. Half of the directors shall approve the resolution of the board of directors. If a director fails to attend a meeting of the board of directors, he may entrust another director to attend the meeting on behalf of him by a power of attorney which specifies the scope of his authority.

If a resolution of the board of directors violates the laws, administrative regulations or the Articles of Association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

(i) a person who is unable or has limited ability to undertake any civil liabilities;

(ii) a person who has been convicted for corruption, bribery, misappropriation of property or disruption of the order of socialist market economy and a five-year period has not lapsed since expiry of the execution period or a person who has been stripped of political rights for being convicted of a crime and a five-year period has not lapsed since expiry of the execution period;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and

(v) a person who is liable for a relatively large amount of debts that are overdue; or

(vi) other circumstances of ineligibility to serve as a director of the company are specified in the PRC Guidelines on AoA (the Articles of Association have been included, and the summary is contained in Appendix V – Summary of the Articles of Association).

The board of directors shall appoint a chairman, who shall be elected with the approval of more than half of all directors. The chairman of the board of directors shall exercise the following functions and powers:

(i) preside over the General Meeting of shareholders and convene and preside over the meeting of the board of directors; and

(ii) check the implementation of board resolutions.

According to the PRC Guidelines on AoA, the directors shall bear the responsibility of loyalty and diligence. The loyalty and diligence provisions have been included in the Articles of Association and the summary of which is set out in "Appendix V – Summary of the Articles of Association" for a detailed description of the above responsibilities.

Supervisors and Supervisory Board

A company shall have a supervisory board composed of not less than three members. Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third. Directors and senior management shall not act concurrently as supervisors.

The supervisory board may exercise its powers under the PRC Company Law:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the Articles of Association or resolutions of the shareholders' general meetings;

(iii) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against directors and senior management personnel; and

(vii) to exercise any other authority stipulated in the Articles of Association. The above disqualification as a director of the company shall also apply to the supervisor of the company with necessary modifications.

According to the PRC Guidelines on AoA, the supervisors of the company shall comply with laws, administrative regulations and the Articles of Association and bear the responsibility of loyalty and diligence. They shall not take any bribe or other illegal gains by taking advantage of their authority and shall not take illegal possession of the company property.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

The supervisory board shall meet at least once every six months. The supervisor may propose to hold an extraordinary meeting of the supervisory board. According to the PRC Company Law, the resolution of the supervisory board shall be adopted by more than half of the supervisors. The supervisory board shall make minutes of the meeting on the matters discussed, and the supervisors attending the meeting shall sign and endorse the minutes.

The supervisory board shall appoint a chairman and may appoint a vice-chairman. The chairman and the vice-chairman of the supervisory board shall be elected by more than half of the supervisors. The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice-chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice-chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over supervisory board meetings.

Manager and Other Senior Management Personnel

"Senior management" refers to the company's manager, deputy manager, person-in-charge of finance, secretary to the board of directors of the listed company and other personnel specified in the Articles of Association.

The company shall have a manager who shall be appointed or removed by the board of directors. The manager shall be responsible to the board of directors and exercise the following functions and powers:

(i) to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(ii) to arrange for the implementation of the company's annual operation plans and investment proposals;

(iii) to formulate proposals for the establishment of the company's internal management organs;

(iv) to formulate the fundamental management system of the company;

(v) to formulate the company's specific rules and regulations;

(vi) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(vii) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors);

(viii) attend meetings of the board of directors as non-voting participants; and

(ix) other powers granted by the board of directors or the company's Articles of Association.

According to the PRC Guidelines on AoA, other senior management personnel of the company include the deputy managers, the Secretary of the board of directors, the person in charge of finance, and other personnel specified in the Articles of Association of the company. The disqualification of a director of a company shall also apply to the managers and officers of the company. The company's Articles of Association are binding on the company's shareholders, directors, supervisors, managers and other management personnel. Such persons shall have the right to exercise their respective rights, apply for arbitration and conduct legal proceedings in accordance with the Articles of Association of the company. The requirements of the PRC Guidelines on AoA in relation to the senior management of the company have been included in the Articles of Association (its summary is set out in Appendix V – Summary of the Articles of Association).

According to the PRC Guidelines on AoA, the senior management shall have responsibility of loyalty and shall faithfully perform their respective duties and safeguard the best interests of the company and all the shareholders. The senior management fails to perform his/her duties faithfully or breaches his/her obligation of good faith and causes losses to the company or public shareholders, the senior management shall be liable for compensation.

Duties of Directors, Supervisors and Senior Management Personnel

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the Articles of Association, and carry out their duties of loyalty and diligence. In addition, they are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property. Directors and senior management are prohibited from:

(i) misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals to deposit;

(iii) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the Articles of Association or without approval of the general meeting or the board of directors;

(iv) entering into contracts or transactions with the company in violation of the Articles of Association or without approval of the general meeting;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;

(vi) accept the commission of the transaction between others and the company as his own;

(vii) unauthorized divulgence of confidential information of the company; and

(viii) other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or Articles of Association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where the general meeting of shareholders requires directors, supervisors or other senior management personnel to attend the meeting as non-voting delegates, the directors, supervisors or other senior management personnel shall attend as non-voting delegates and accept the shareholders' questions. The directors and senior management personnel shall truthfully provide the supervisory board with relevant information and materials, and shall not hinder the supervisory board from exercising its functions and powers.

The company shall not directly or through its subsidiaries provide loans to any director, supervisor or senior management personnel, and shall regularly disclose to the shareholders the remuneration of the director, supervisor or senior management personnel from the company.

Finance and Accounting

The company shall establish financial and accounting systems in accordance with laws, administrative regulations and the provisions of the competent financial department of the State Council, prepare financial reports at the end of each financial year, and review and verify them in accordance with the law.

The financial statements of the company shall be available for inspection by the shareholders of the company at least 20 days before the annual general meeting. A company incorporated by public offering shall publish its financial statements.

The company's accumulation fund includes statutory surplus accumulation fund, discretionary accumulation fund and capital accumulation fund. When the company distributes the annual profit after tax, 10% of the profit after tax shall be allocated to the company's statutory surplus reserve (unless the reserve has reached 50% of the company's registered capital). After the company allocates its profit after tax to the statutory accumulation fund, it may allocate funds to any accumulation fund subject to the resolution of the general meeting of shareholders.

If the company's statutory surplus reserve is insufficient to cover the company's losses of the previous year, the company's profits of the current year shall be used to cover the losses before being distributed to the statutory surplus reserve.

The profit balance of the company after making up the losses and withdrawing the statutory surplus reserve may be distributed to the shareholders in accordance with the shareholding ratio of the shareholders, unless otherwise specified in the Articles of Association of the company limited by shares.

The company's capital reserve consists of a premium over the par value of the company's shares at the time of issuance and other amounts that are required by the relevant government authorities to be treated as capital reserve.

The company's provident fund can be used for the following purposes:

(i) indemnify the company's losses, excluding the capital reserve;

(ii) to expand the business of the company; and

(iii) if the statutory surplus reserve is converted into the registered capital, the balance of the statutory surplus reserve after conversion shall not be less than 25% of the registered capital of the company before conversion.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

According to the PRC Guidelines on AoA, a company shall engage an accounting firm which is qualified with The Securities Law to provide services including the audit of financial statements, the verification of net assets and other relevant consultancy services. The term of engagement is one year and may be extended.

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the Articles of Association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

If the company dismisses or does not continue to employ auditors, it shall notify the auditors in advance in accordance with the PRC Guidelines on AoA, and the auditors have the right to present their opinions to the general meeting of shareholders.

Profit Distribution

The PRC Company Law require that a company shall not distribute profits before accumulated losses are covered and the statutory common reserve fund is provided.

Amendments to the Articles of Association

The amendments to Articles of Association of the Company shall be made in accordance with the procedures stipulated in the Articles of Association of the Company. The amendment to articles of association involving matters of company registration must be registered with applicable laws.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the company's Articles of Association has expired or other events of dissolution specified in the company's Articles of Association have occurred;

(ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business license of the company is revoked or the company is ordered to close down or to be revoked in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

The company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee to administer the liquidation within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting.

If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to establish a liquidation committee.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. The liquidation committee may exercise following powers during the liquidation:

(i) to sort out the company's property and to prepare a balance sheet and an inventory of property;

(ii) to notify creditors or publish announcements;

(iii) to deal with the company's outstanding business related to the liquidation;

(iv) to pay any unpaid tax;

(v) to settle the company's claims and liabilities;

(vi) to handle the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

If the property of the company is sufficient to pay off the debts, it shall be used to pay the liquidation expenses, wages owed to the employees and labor insurance expenses, overdue taxes and debts of the company. The remaining part of the company's property shall be distributed to the shareholders in proportion to shares held by them in the company.

During the liquidation period, the company cannot conduct operating activities that are not related to the liquidation.

If the liquidation committee becomes aware that the Company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over all the administration related to liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation. The liquidation report shall then be submitted to the company registration authority to cancel the Company's registration, and an announcement of its termination shall be published.

Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee are liable to indemnify the Company and its creditors in respect of any loss arising from their willful or material default.

Loss of Share Certificate

A shareholder may, in accordance with the relevant provisions set out in the Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen or lost, for a declaration that such certificate(s) will no longer be valid. After the declaration that such certificate(s) will no longer be valid, the shareholder may apply to the Company for the issue of a replacement certificate(s).

Merger and Division

The company may be merged by absorption or by the establishment of a new merged entity. If the company adopts absorption merger, the absorbed company shall be dissolved. If the companies merge by forming a new company, both companies shall be dissolved.

A merger agreement shall be signed by merging companies respectively and prepare balance sheets and inventory of property. The companies concerned shall within 10 days of the date of passing the resolution approving the merger notify their creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle debts or provide relevant guarantees. When the company merged, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

When the company divided, the company's property shall be divided and a balance sheet and an inventory of property shall be prepared. The company should notify its creditors within 10 days of the date of making such resolution and publicly announce the division in newspapers within 30 days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies. However, unless otherwise agreement in writing is reached with creditors before the company's division in respect of the settlement of debts.

Securities Laws and Regulations

China has promulgated a number of laws and regulations on share issuance and trading as well as information disclosure. In October 1992, the State Council established the Securities Commission and the China Securities Regulatory Commission. The Securities Commission shall be responsible for coordinating the drafting of relevant laws and regulations on securities, formulating policies on securities matters, planning the development of the securities market, guiding, coordinating and supervising all institutions involved in securities matters in China, and managing the CSRC. The China Securities Regulatory Commission is the regulatory body under the Securities Commission responsible for drafting regulations on the supervision of the securities market, supervising securities companies, supervising the public issuance of securities by Chinese companies in China or abroad, managing securities trading, compiling statistics on securities, and conducting research and analysis. In 1998, the Securities

Commission of the State Council was abolished by the State Council and its functions were undertaken by the CSRC. The CSRC is also responsible for the regulation and supervision of the national stock and futures markets in accordance with relevant laws, regulations and authorities.

The Securities Law took effect on July 1, 1999 and was latest amended on December 28, 2019 and took effect on March 1, 2020. It was the first national securities law in the PRC, and it is divided into 14 chapters and 226 articles, which including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities. The Securities Law comprehensively regulating activities in the PRC securities market. Article 224 of the Securities Law stipulates that domestic enterprises issuing securities directly or indirectly abroad or listing and trading their securities abroad shall comply with the relevant provisions of the State Council. Article 225 of the Securities Law stipulates that the specific terms for subscription and transaction of shares of companies in the PRC in foreign currencies shall be separately stipulated by the State Council. Currently, the issue and trading of foreign issued securities (including H shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Overseas Listing

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five relevant guidelines, which promulgated by the CSRC on February 17, 2023, and came into effect on March 31, 2023, PRC domestic companies shall register their direct and indirect overseas listings and securities offerings with the CSRC by filing materials on key compliance issues.

Suspension and Termination of Listing

All provisions for suspension and termination of listings have been removed from the PRC Company Law. The Securities Law removes the provisions regarding the suspension of listings while stating the following provisions for the termination of listings:

(i) securities to be listed for trading shall be terminated from listing by the stock exchange in accordance with the business rules where the circumstances leading to the termination of listing as prescribed by such stock exchange occurs;

(ii) where a termination of listing for securities is determined by the stock exchange, an announcement shall be made in a timely manner and the record shall be filed with the security's regulatory authorities of the State Council; and

(iii) in the event of objection to a decision of disapproval or termination of listing made by the stock exchange, an application may be submitted to a review institution established by the stock exchange for review.

MAJOR DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) canceling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Any increase in the registered capital of a PRC company must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no overvaluation or undervaluation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, the target investors of H shares offering by domestic companies shall be overseas investors. Where domestic investors subscribe H shares issued by domestic companies, domestic investors shall be compliant with relevant provisions of the cross-border investment, such as qualified domestic institutional investors (QDII), or overseas investment filling (ODI), etc.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management.

There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from the restriction on the Company to issue additional Shares within six months and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the PRC Guidelines on AoA contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting.

For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting.

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Derivative Action by Minority Shareholders

The Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the PRC Guidelines on AoA provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The PRC Guidelines on AoA, however, contain provisions that Shareholders shall not abuse their rights to harm the interests of the company or other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The PRC Guidelines on AoA provides that supervisors shall comply with the laws, administrative regulations and the articles of association, bear the duty of loyalty and diligence to the company, and shall not use their authority to accept bribes or other illegal income, nor embezzle company property.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the PRC Guidelines on AoA, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

According to the PRC laws, a company shall prepare its financial accounting reports in accordance with the PRC GAAP ("**People's Republic of China Generally Accepted Accounting Principles**") as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings, share register, counterfoil of company debentures, resolutions of board meetings, resolutions of the board of supervisors and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the PRC Company Law and Hong Kong laws, dividends once declared will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong laws is six years, while under the PRC laws this limitation period is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Pursuant to the PRC Company Law, which was amended by the Standing Committee of the NPC and came into effect on October 26, 2018, merger, division, dissolution or changes to the form of a joint stock limited liability company shall be approved by shareholders representing over two-thirds of voting rights at the general meeting.

Mandatory Deductions

Under the PRC Company Law, a company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau SAR and Taiwan.

Remedies of A Company

Under the PRC Company Law, if a director, supervisor or senior management person in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages.

The Hong Kong Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

Pursuant to relevant PRC laws and regulations, the company in certain circumstances shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the PRC Company Law, share transfers shall not be registered within 30 days prior to convening a shareholders' general meeting or 5 days before the base date of distribution of dividends.

OVERVIEW

This Appendix contains the summary of the principal provisions of the Articles of Association. The Articles of Association of the Company shall take effect on the date of the H Shares being listed on the Stock Exchange.

SHARES

All the shares issued by the Company are ordinary shares.

Shares issued by the Company are denominated in RMB with a nominal value of RMB0.1 per share.

The Shares of the Company shall be issued in accordance with the principles of openness, fairness and justice. Each share of the same class shall carry the same rights.

Shares of the same class and in the same issue shall be issued on the same conditions and at the same price. Any entity or individual subscribing for the Shares shall pay the same price for each Share.

Increase, Reduction and Repurchase of Shares

Increase of Capital

In light of the Company's operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to respective resolution of the general meeting, by any of the following methods:

(1) a public offering of shares;

(2) a private placement of shares;

(3) allotment of bonus shares to existing shareholders;

(4) conversion of reserve funds to share capital;

(5) other methods permitted by laws and administrative regulations and approved by China Securities Regulatory Commission.

Reduction of Capital

The Company may reduce its registered capital. Any reduction of the Company's registered capital shall be subject to the procedures prescribed in the Company Law and other relevant regulations, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Shares of the Company are listed, as well as the Articles of Association.

Repurchase of Shares

The Company shall not acquired the Shares of the Company with one of the following exceptions:

(1) to reduce the registered capital of the Company;

(2) to merge with other companies that hold shares in the Company;

(3) to use the shares for employee shareholding schemes or as share incentives;

(4) to acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any general meetings on the merger or division of the Company;

(5) to use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company; or

(6) to safeguard corporate value and shareholders' equity as the Company deems necessary;

Transfer of Shares

Shares of the Company can be transferred legally.

The Company shall not accept Shares of the Company as the subject of pledges.

SHAREHOLDERS AND GENERAL MEETING

Shareholders

The Company shall, on the basis of the certificates provided by the securities registration authority, establish a register of members, which is a sufficient evidence of the shareholders' shareholding in the Company. A shareholder shall enjoy relevant rights and assume relevant obligations in accordance with the class and number of shares he/she holds. Shareholders holding the same class of shares shall have the same rights and assume the same obligations.

When the Company intends to convene a shareholders' general meeting, distribute dividends, enter into liquidation and engage in other activities that require determination of shareholdings, the Board of Directors or the convenor of a general meeting shall determine an equity record date, and shareholders registered on the register of members after the close of market on such date shall be the shareholders entitled to the relevant rights and interests.

Rights and Obligations of the Shareholders

Shareholders of the Company shall enjoy the following rights:

(1) the right to dividends and other distributions in proportion to the number of shares held;

(2) the right to apply legally for, convene, preside, attend or appoint proxies to attend general meetings and to exercise the corresponding right of speech and right to vote;

(3) the right to supervise, present proposals or raise enquiries in respect of the Company's operations;

(4) the right to transfer, give as a gift or pledge the shares it holds in accordance with laws, administrative regulations and the Articles of Association;

(5) the right to inspect the Articles of Association, the register of members, corporate bond stubs of the Company, the minutes of general meetings, resolutions of the Board of Directors and resolutions of the Board of Supervisors, and financial and accounting report

(6) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining property of the Company in proportion to the number of shares held;

(7) shareholders who object to resolutions of merger or division made by the shareholders' general meeting may request the Company to purchase their shares;

(8) such other rights conferred by laws, administrative regulations, department rules, and the Hong Kong Listing Rules or the Articles of Association.

Shareholders of the Company shall have the following obligations:

(1) to abide by laws, administrative regulations and the Articles of Association;

(2) to pay the share subscription price based on the shares subscribed for by them and the method of acquiring such shares;

(3) not to return shares unless prescribed otherwise in laws and administrative regulations;

(4) not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of shareholders to harm the interests of the Company's creditors;

Any shareholder who abuses shareholders' rights and causes the Company or other shareholders to suffer a loss shall be liable for making compensation in accordance with the law.

Any Company's shareholder who abuses the status of the Company as an independent legal entity or the limited liability of shareholders to evade debts and severely harm the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

(5) to assume other obligations required by laws, administrative regulations, the regulatory rules of the place where the Shares of the Company are listed, and the Articles of Association.

General Rules for the General Meeting

The general meeting is the organ of the highest authority of the Company and shall exercise the following functions and powers:

(1) to decide on the operating policies and investment plans of the Company;

(2) to elect and replace directors and supervisors who are not employee representatives; and to decide on matters relating to their remuneration;

(3) to review and approve reports of the Board of Directors;

(4) to review and approve reports of the Board of Supervisors;

(5) to review and approve the annual financial budgets and final accounts of the Company;

(6) to review and approve the profit distribution plans and loss recovery plans of the Company;

(7) to adopt resolutions on increasing or reducing the registered capital by the Company;

(8) to adopt resolutions on the issuance of bonds of the Company;

(9) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(10) to amend the Articles of Association;

(11) to adopt resolutions on the engagement or dismissal of the engagement of accounting firms by the Company;

(12) to review and approve the external guarantees of the Company;

(13) to review and approve the purchase or the sale of major assets by the Company within one year, and the amount of which exceeds 30% of the latest audited total assets of the Company;

(14) to review and approve matters relating to the modification of use of raised fund;

(15) to review the Company's share incentives schemes and employee shareholding schemes;

(16) to review other matters that required to be resolved by the general meeting as prescribed by the law, administrative regulations, department rules, the Hong Kong Listing Rules and the Articles of Association.

General meetings include annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once every year and within six months after the end of the preceding fiscal year.

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

(1) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number prescribed in the Articles of Association;

(2) the losses of the Company that have not been made up reach one-third of its total paid in share capital;

(3) such is requested by a shareholder alone or shareholders jointly holding no less than 10% of the Company's voting shares;

(4) the Board of Directors considers it necessary;

(5) the Board of Supervisors proposes that such a meeting shall be held;

(6) other circumstances as specified by laws, administrative regulations, department rules, the Hong Kong Listing Rules, and other securities regulatory rules of the place where the Shares of the Company are listed or the Articles of Association.

Proposals and Notices of General Meetings

The contents of proposals shall fall within the authority of general meetings.

The Board of Directors, the Board of Supervisors and shareholders individually or jointly holding no less than 3% of the shares of the Company shall be entitled to put forward proposals to the Company.

A shareholder alone or shareholders jointly holding no less than 3% of the shares of the Company may submit interim proposals in writing to the convenor ten days prior to the date of general meeting. The convenor shall issue a supplemental notice of general meeting within two days after receipt of the motion, with such interim proposals announced.

Except as provided in the preceding paragraph, the convenor, after issuing the notice of the general meeting, shall neither modify the proposals stated in the notice of general meetings nor add new proposals.

The convenor shall, by way of an announcement, issue a notice 20 days prior to the convening of the annual general meeting to notify every shareholder or 15 days prior to the convening of the extraordinary general meeting to notify every shareholder.

Notice of the general meeting shall include the following:

(1) the time, venue and duration of the meeting;

(2) subject matters and proposals submitted for consideration and approval on the meeting;

(3) particulars shall be in clear text that all shareholders are entitled to attend general meetings and may appoint their proxies in writing to attend and vote at the meetings. Such proxies need not be shareholders of the Company;

(4) shareholders are entitled to present on the equity determination date of general meetings;

(5) name(s) and telephone number(s) of the standing contact person(s) for the affairs of meetings;

(6) online or other means of voting time and voting procedures;

Holding of General Meetings

All shareholders or their proxies of the Company registered on the register of members on the equity record date shall have the right to attend general meetings and exercise their voting rights in accordance with the relevant laws, regulations, the Hong Kong Listing Rules and the Articles of Association. The Company and the convener shall not refuse for any reason.

Shareholders may attend a general meeting in person and may appoint a proxy to attend and vote on their behalf.

General meetings shall be presided over by the chairman of the Board of Directors. If the chairman of the Board of Directors is unable or fails to perform his/her duties, the meeting shall be presided over by the vice-chairman. If the vice-chairman of the Board of Directors is unable or fails to perform his/her duties, the meeting shall be presided over by a director elected by a majority of the directors.

Voting and Resolutions of General Meeting

Resolutions of the general meeting include ordinary resolutions and special resolutions. Ordinary resolution at a general meeting shall be adopted by shareholders in attendance (including proxies) holding more than half of the voting rights. Special resolution at a general meeting shall be adopted by shareholders in attendance (including proxies) holding at least two-thirds of the voting rights.

Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they own, with one vote for each share.

Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

Decisions of the general meeting on any of the following matters shall be adopted by special resolution:

(1) the increase or reduction of the registered capital by the Company;

(2) the merger, spin-off, division, dissolution, liquidation or change in the form of the Company;

(3) the amendment to the Articles of Association;

(4) the purchase and the sale of major assets by the Company within one year, or the guarantee amount of which exceeds 30% of the latest audited total assets of the Company;

(5) the share incentives schemes;

(6) other matters which the laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Shares of the Company are listed or the Articles of Association require to be adopted by special resolutions and which the general meeting, by an ordinary resolution, considers to have a material impact on the Company and therefore require to be adopted by a special resolution.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at the general meeting and may be removed from office before the expiration of the term of office by a general meeting. Each director shall serve a term of three years and upon expiry of which, a director shall be eligible for re-election and re-appointment. The term of office of a director shall commence on the date of taking office and end on the expiration of the term of the current session of the Board. If a director is not re-elected in a timely manner upon the expiration of his term of office, the former director shall perform his duties as a director in accordance with the provisions of the laws, administrative regulations, departmental rules and the Articles of Association before the re-elected director takes office.

The directors may be held concurrently by the general manager or other senior management members, but the total number of directors who concurrently hold the positions of general manager or other senior management and the directors who are serving as employee representatives shall not exceed one-half of the total number of directors of the Company.

Subject to the compliance with the relevant laws and administrative regulations, the general meeting may by ordinary resolution remove any director before the expiration of his/her term of office without prejudice to the director's right as provided in any contracts to claim for damages arising from his/her removal.

The Directors shall abide by the laws, administrative regulations and the Articles of Association and have the following duty of loyalty to the Company:

(1) shall not take advantage of his power to accept bribes or other illegal income, and shall not embezzle the property of the Company;

(2) shall not misappropriate the Company's funds;

(3) shall not open an account for depositing the Company's assets or funds in its own name or in the name of another individual;

(4) shall not violate the provisions of the Articles of Association by lending the Company's funds to others or providing guarantees for others with the Company's property without the consent of a general meeting or the Board of Directors;

(5) shall not enter into contracts or conduct transactions with the Company in violation of the Articles of Association or without the consent of a general meeting;

(6) without the consent of a general meeting, he/she shall not take advantage of his position to seek business opportunities for himself or others that should belong to the Company, or to operate the same kind of business as that of the Company for himself or for others;

(7) shall not accept commissions as theirs' from transactions conducted by the others and the Company;

(8) shall not disclose the Company's secrets without authorization;

(9) shall not make use the affiliated relationship to prejudice the interests of the Company;

(10) other duties of loyalty stipulated by the provisions of laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Shares of the Company are listed and the Articles of Association.

Any income derived by a director from violation of the provisions of the preceding paragraph shall belong to the Company; for any resulting loss to the Company, such director shall be liable for compensation.

Directors shall abide by the laws, administrative regulations and the Articles of Association and shall be subject to the following diligence obligations to the Company:

(1) the Company shall exercise the rights granted by the Company in a prudent, conscientious and diligent manner to ensure that the Company's commercial activities comply with the requirements of national laws, administrative regulations and various national economic policies, and that the extent of the commercial activities do not exceed the business scope stipulated in the business license;

(2) all shareholders shall be treated fairly;

(3) keep abreast of the Company's business operation and management;

(4) a written confirmation of the Company's periodic reports shall be signed to ensure that the information disclosed by the Company is true, accurate and complete;

(5) the Board of Supervisors shall truthfully provide relevant information and materials to the Board of Supervisors, and shall not hinder the Board of Supervisors or the Supervisors from exercising their powers;

(6) other diligence obligations stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Shares of the Company are listed and the Articles of Association.

Board of Directors

The Company shall set up a board of directors. The Board of Directors shall consist of nine directors, including six independent non-executive directors and three independent directors. The Board of Directors shall consist of one chairman and 1 to 2 vice-chairmen. The chairman and vice-chairman shall be elected and removed by more than one-half of all directors of the Board of Directors.

The Board of Directors is accountable to the general meetings and exercise the following functions and powers:

(1) to convene general meetings and report to the general meetings;

(2) to implement resolutions of the general meetings;

(3) to decide on the Company's business plans and investment plans;

(4) to formulate the annual financial budgets and final accounts of the Company;

(5) to formulate the Company's profit distribution plans and plans on making up losses;

(6) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and listing of shares of the Company;

(7) to formulate plans for the Company's major acquisition, repurchase the Shares of the Company, or merger, division, dissolution or change of corporate form of the Company;

(8) to decide on matters such as investments, purchase and sale of assets, pledge of assets, external guarantee, entrustment of financial management, connected transactions and donations of the Company within the scope of authorization by the general meeting;

(9) to decide on establishment of internal management organs of the Company;

(10) to decide on the appointment or dismissal of the Company's general manager, secretary to the Board of Directors and other senior management members, and to decide on matters over the remunerations and rewards and punishments thereof; and to decide on the appointment or dismissal of the Company's deputy general manager, chief financial officer and other senior management as well as their remunerations and rewards and punishments according to the nomination of the general manager;

(11) to formulate the basic management system of the Company;

(12) to formulate proposals to amend the Articles of Association;

(13) to manage the disclosure of the Company's information;

(14) to propose to the general meeting the appointment or replacement of the accounting firm that provides audit service to the Company;

(15) To listen to the work report of the general manager of the Company and to inspect the work of the general manager of the Company;

(16) other functions and powers provided for in laws, administrative regulations, department regulations, Hong Kong Listing Rules, other securities regulatory rules of the place where the Shares of the Company are listed or the Articles of Association.

Meetings of the board of directors may be held only if more than one half of the directors are present. A resolution of the Board of Directors must be passed by more than half of all directors. Vote on Board of Directors resolution shall be carried out on the basis of one person one vote.

If any director is associated with the enterprises that are involved in the matters to be resolved at the meeting of the Board of Directors, he/she shall not exercise his/her voting rights for such matters, nor shall such director exercise voting rights on behalf of other directors. Such meeting of the Board of Directors may be held only if more than one half of the directors without a connected relationship are present, and the resolutions made at such a meeting of the Board of Directors shall be passed by more than one half of the directors without a connected relationship. If the number of non-connected directors present at such meeting is less than three, the matter shall be submitted to the general meeting for consideration.

GENERAL MANAGER AND OTHER MEMBERS OF THE SENIOR MANAGEMENT

The Company has one general manager and several deputy general managers, all of whom shall be appointed or dismissed by the Board of Directors. The general manager, deputy general manager, financial officer, secretary to the Board of Directors and other senior management personnel recognized by the Board of Directors are senior management members of the Company.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

(1) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report his/her works to the Board of Directors;

(2) to organize the implementation of the Company's annual business plans and investment plans;

(3) to draft plans for the establishment of the Company's internal management organization;

(4) to draft the Company's basic management system;

(5) to formulate the specific rules and regulations of the Company;

(6) to propose to the Board of Directors appointment or dismissal of deputy general manager and chief financial officer of the Company;

(7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;

(8) such other functions and powers conferred by the Articles of Association or the Board of Directors.

The general manager shall be present at the meetings of the Board of Directors.

The Company shall have a secretary to the Board of Directors, whose primary responsibilities include preparing general meetings and board meetings of the Company, maintaining documents and managing shareholder information of the Company, and handling the information disclosure of the Company.

Senior management members of the Company shall faithfully perform their duties and safeguard the best interests of the Company and all shareholders. Senior management members of the Company shall be liable for compensation in accordance with relevant laws if they fail to faithfully perform their duties or breach their fiduciary duty and cause damage to the interests of the Company and the shareholders of public shares.

BOARD OF SUPERVISORS

The Company shall establish a Board of Supervisors. The Board of Supervisors shall consist of three supervisors. The Board of Supervisors shall appoint a chairman, who shall be elected by more than half of the supervisors. The term of office of each supervisor shall be a period of three years, renewable upon re-election. Any directors, general managers and other senior management shall not act concurrently as supervisors. The Board of Supervisors consists of shareholder representatives and an appropriate proportion of employee representatives of the Company, which proportion shall not be lower than 1/3.

The Board of Supervisors shall be accountable to the general meeting and exercise the following functions and powers:

(1) to review and give written opinions on the Company's periodic reports prepared by the Board of Directors;

(2) to examine the Company's financial matters;

(3) to supervise the performance by the directors and senior management of their duties to the Company and propose the dismissal of the directors and senior management who violates laws, administrative regulations, the Articles of Association or the resolutions of the general meeting;

(4) to demand rectification from the directors and senior management when the acts of such persons are harmful to the Company's interests;

(5) to propose the convening of extraordinary general meetings; to convene and preside the general meetings in the event that the Board of Directors fails to perform its duties to convene and preside the general meetings;

(6) to submit proposals to the general meetings;

(7) to file lawsuits against directors and senior management on behalf of the Company in accordance with the Company Law;

(8) in case of any queries or any abnormal matters during the business operation of the Company, to investigate, and if necessary, to engage professionals such as accounting firms or law firms to assist its work with expenses being borne by the Company;

(9) other functions and powers provided by laws, administrative regulations and the Articles of Association.

Supervisors may attend as a nonvoting delegate at the meeting of the Board of Directors.

FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDITING

Financial and Accounting Systems

The Company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council.

The Company shall submit and disclose its annual reports within four months from the ending date of each financial year, and its interim reports within two months from the ending date of the first half of each financial year, respectively. The above-mentioned annual and interim reports shall be prepared in accordance with the relevant laws, administrative regulations and the provisions of CSRC and the stock exchange(s).

Profit Distribution

The profit distribution policy of the Company is as follows:

(1) Decision-making procedures and mechanisms for profit distribution policy

(i) Decision-making mechanism and procedures for the implementation of profit distribution policy

A. When the Board of Directors of the Company proposes a cash dividend distribution, the Board of Directors shall carefully study and demonstrate, among other things, the timing, conditions and minimum proportion, adjustment conditions and decision-making procedure requirements for the cash dividend distribution of the Company, and the independent directors shall express clear opinions.

B. The profit distribution policy of the Company shall be proposed by the Board of Directors to the shareholders' general meeting of the Company. The profit distribution policy proposed by the Board of Directors shall be approved by a majority vote of the Board of Directors, and the independent directors shall express their independent opinions on the profit distribution policy.

In the event of misappropriation of the Company's funds by a shareholder, the Company shall deduct the funds misappropriated from the cash dividends to be distributed to that shareholder as compensation.

(ii) Decision-making mechanism and procedures for adjustment of profit distribution policy

A. In the event of force majeure such as wars and natural disasters, changes in the external operating environment of the Company that have a significant impact on the Company's production and operation, or material changes in the Company's operating conditions, the Company may adjust the profit distribution policy.

B. For the adjustment of the Company's profit distribution policy, the Board of Directors shall make a specific discussion, demonstrate the reasons for the adjustment and prepare a written demonstration report, which shall be submitted to the shareholders' general meeting for consideration when the independent directors have expressed their independent opinions thereon, and the relevant resolutions shall be approved by more than two-thirds of the voting rights held by shareholders present at the general meeting.

C. The Company encourages small and medium-sized investors and institutional investors to actively participate in the decision-making of the Company for profit distribution. Before considering the specific profit distribution plan, the shareholders' general meeting of the Company shall fully listen to the opinions and demands of the minority shareholders and respond to the concerns of the minority shareholders in a timely manner.

(2) Details of the profit distribution policy

(i) Form of profit distribution

The Company may distribute dividends in cash, stocks or a combination of cash and stocks, and give priority to profit distribution in cash.

(ii) Specific conditions and proportion of cash dividends

A. Provided that the Company has reserved statutory reserve fund and surplus reserve fund in full and the conditions for cash dividends are satisfied, the Company may distribute dividends in cash. The specific proportion of dividends for each year shall be resolved by the Board of Directors in view of the annual profits and the future fund use plan of the Company.

The "conditions for cash dividend distribution" referred to in the preceding paragraph are as follows:

(a) the Company is profitable for the accounting year, and the auditor has issued an audit report with unqualified opinions on the annual financial statements for the corresponding year;

(b) The capital requirements to ensure the normal operation and long-term development of the Company;

(c) There are no other circumstances that the Board of Directors deems inappropriate to distribute cash dividends.

B. When distributing profits, the Board of Directors of the Company shall make cash dividend policies in accordance with the procedures stipulated in the Articles of Association after considering its industry-specific characteristics, development stage, business model, profitability, future major capital expenditure arrangement and other factors.

(iii) Conditions required for distributing stock dividend

If the Company is in a good operating status, and the Board of Directors considers that the Company's share price is not proportional to the scale of its share capital, and distributing stock dividend is beneficial to all shareholders' interests, then the Board of Directors may propose to a plan for distributing stock dividend subject to the satisfaction of the abovementioned conditions for cash dividend distribution.

(iv) Interval of profit distribution

Subject to the satisfaction of the abovementioned conditions for cash dividend distribution, the Company, in principle, adopts an annual profit distribution policy. The Board of Directors of the Company may propose an interim profit distribution plan according to profitability, cash flow and capital demand plan, which shall be implemented upon consideration and approval by the extraordinary general meeting.

Internal Auditing

The Company implements an internal audit system and is equipped with full-time auditors to conduct internal audit supervision on the Company's financial revenue and expenditures and economic activities.

MERGER, DIVISION, DISSOLUTION AND LIQUIDATION OF THE COMPANY

Merger and Division of the Company

In a merger of companies, the Company shall execute a merger agreement and prepare the balance sheet and property list. The Company shall notify their creditors within ten days of adopting merger resolutions, and shall publish announcements in newspaper within 30 days. Creditors shall be entitled to claim full repayment of all debts owed by the Company or require that appropriate assurances to be provided within 30 days of receiving the notice, or within 45 days of publication of the announcement if any such creditor does not receive the notice.

If the company is to be divided, its assets shall be divided accordingly.

In a division of the company, a balance sheet and a property list shall be prepared. The Company shall notify its creditors within ten days of the date on which the division resolution is adopted, and shall publish announcements in newspaper within 30 days.

Dissolution and Liquidation of the Company

The Company shall be dissolved in accordance with the law under any of the following circumstances:

(1) the term of business operation expires as specified by the Articles of Association or other matters leading to dissolution occur as specified by the Articles of Association;

(2) the general meeting resolves to dissolve the Company;

(3) dissolution is necessary as a result of the merger or division of the Company;

(4) the Company's business license is revoked or it is ordered to close down or it is deregistered according to laws; or

(5) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding at least 10% of all shareholders' voting rights of the Company may petition a People's Court to dissolve the Company.

Where the Company is dissolved according to the provisions of sub-paragraphs (1), (2), (4) and (5) of the preceding Article, it shall establish a liquidation committee and liquidation shall commence within 15 days from the date on which the cause for dissolution arose. The liquidation committee shall be determined by Directors or the general meeting. If the Company fails to establish the liquidation committee and carry out the liquidation within the time limit, its creditors may petition a People's Court to designate relevant persons to form a liquidation committee and carry out the liquidation.

The liquidation committee shall notify creditors within ten days of its establishment, and make announcements on newspaper within 60 days of its establishment. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the written notice or, if they did not receive a written notice, within 45 days from the date of the announcement. When declaring their claims, creditors shall explain the particulars relevant to their claims and submit supporting documentation. The liquidation committee shall register the claims. During the period of declaration of claims, the liquidation committee shall not repay the debts to creditors.

After the liquidation committee has liquidated the Company's property and prepared a balance sheet and property list, it shall formulate a liquidation plan and submit such plan to the general meeting or the People's Court for confirmation. The Company's property remaining after payment of the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, the taxes owed and all the Company's debts, shall be distributed by the Company to the shareholders in proportion to the shares they hold.

During liquidation, the Company shall continue to exist but may not engage in any business activities unrelated to the liquidation. The Company's property will not be distributed to the shareholders until repayment of its debts in accordance with the preceding paragraph.

If the liquidation committee, having liquidated the Company's property and prepared a balance sheet and property list, discovers that the Company's property is insufficient to pay its debts in full, it shall apply to the People's Court for a declaration of bankruptcy in accordance with the law. After the People's Court has ruled to declare the Company bankrupt, the liquidation committee shall turn over the liquidation matters to the People's Court.

Following the completion of liquidation of the Company, the liquidation committee shall formulate a liquidation report, submit the same to the general meeting or the People's Court for confirmation, and submit the aforementioned documents to the company registration authority to apply for company deregistration, and announce the Company's termination.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

In any of the following circumstances, the Company shall amend the Articles of Association:

(1) after Company Law or relevant laws and administrative regulations have been amended, the matters stipulated in the Articles of Association are in conflict with the provisions of the revised laws and administrative regulations;

(2) the circumstances of the Company have changed, which are inconsistent with the matters recorded in the Articles of Association;

(3) a general meeting decides to amend the Articles of Association.

Amendments to the Articles of Association shall perform relevant procedures and finish necessary formalities in accordance with relevant laws, administrative regulations and the provisions of the Articles of Association. If an amendment to the Articles of Association involves a registered item of the Company. registration of the change shall be carried out in accordance with the law.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was established as a limited liability company in the PRC on May 3, 2018 and was converted into a joint stock limited company on January 6, 2023 under the laws of the PRC. As of the Latest Practicable Date, the registered capital of the Company was RMB101,474,565. Immediately upon [**REDACTED**], the ordinary Shares of the Company will be split on a one-for-ten basis, and the nominal value of the Shares will be changed from RMB1.0 each to RMB0.10 each. Immediately after the Share Split, the registered share capital of the Company was RMB101,474,565 with 1,014,745,650 Shares.

Our place of business in Hong Kong is at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong under the name of Shiyue Daotian Group Co., Ltd. on March 30, 2023. Ms. Oh Sim Yee has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong whose address for service of process is 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix IV and V, respectively.

2. Changes in Share Capital

On May 3, 2018, our Company was incorporated with a registered capital of RMB50 million.

The following sets out the changes in the share capital of our Company within two years immediately preceding the date of this document:

(a) Pursuant to a capital increase agreement dated October 12, 2022, MIC subscribed for an increased registered capital of RMB2,029,491 with a consideration of RMB285,714,243. As a result, our registered capital was increased to RMB101,474,565 on February 13, 2023. See "History, Development and Corporate Structure – Pre-[**REDACTED**] Investments"; and

(b) As approved by our Shareholders' general meeting held on March 30, 2023, immediately upon [**REDACTED**], the ordinary shares of the Company were split on a one-for-ten basis, and the par value of the Shares was changed from RMB1.00 per Share to RMB0.10 per Share. Immediately after the [**REDACTED**] (assuming the Share Split is completed and the [**REDACTED**] is not exercised), the registered share capital of the Company became RMB101,474,565 divided into 1,014,745,650 Shares of par value RMB0.10 each, all of which were fully paid up.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

3. Resolutions of our Shareholders

At the general meeting of the Shareholders held on March 30, 2023, the following resolutions, among other things, were duly passed:

(a) the issue by the Company of H Shares with a nominal value of RMB0.10 each and such H Shares be [**REDACTED**] on the Hong Kong Stock Exchange;

(b) the number of H shares to be issued shall be no more than [**REDACTED**], representing approximately [**REDACTED**]% of the total issued share capital of our Company as enlarged by the [**REDACTED**], and the grant of the [**REDACTED**] in respect of no more than [**REDACTED**]% of the number of H Shares issued pursuant to the [**REDACTED**];

(c) subject to the CSRC's registration, upon completion of the [**REDACTED**] (assuming the Share Split is completed), 202,892,950 Domestic [**REDACTED**] Shares will be converted into H Shares on a one-for-one basis;

(d) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [**REDACTED**], the issue and the [**REDACTED**] of H Shares on the Hong Kong Stock Exchange; and

(e) subject to the completion of the [**REDACTED**], the conditional adoption of the revised Articles of Association, which shall become effective on the [**REDACTED**].

4. Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 13 to the Accountants' Report as set out in Appendix I to this document.

The following subsidiaries of the Company were incorporated within two years immediately preceding the date of this document:

(a) Tonghe County Caiqiao Rice Industry Co., Ltd., a wholly-owned subsidiary of the Company, was established in Heilongjiang Province, the PRC on September 8, 2021 with the registered capital of RMB35 million; and

(b) Wuchang City Qiuman Agriculture Co., Ltd., a wholly-owned subsidiary of the Company, was established in Heilongjiang Province,the PRC on January 17, 2022 with the registered capital of RMB5 million.

The following sets out the changes in the share capital of our subsidiaries within two years immediately preceding the date of this document:

(a) the registered capital of Shenyang Xinchang, a wholly-owned subsidiary of the Company, was increased from RMB70,000,000 to RMB100,000,000 on June 7, 2022 by way of capital injection by the Company; and

(b) the registered capital of Wuchang Caiqiao, a wholly-owned subsidiary of the Company, was increased from RMB70,000,000 to RMB100,000,000 on May 30, 2022 by way of capital injection by the Company.

Save as set out above, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) a capital increase agreement dated October 12, 2022, and entered into among the Company, Mr. Wang, Mr. Shu Minghe, Ms. Zhao Shulan, Mr. Zhao Wenchen, Ms. Zhao Shujuan, Ms. Zhao, Shiyue Daotian Enterprise Management, Shiyue Zhongxin and MIC, pursuant to which MIC subscribed for an increased registered capital of RMB2,029,491 in our Company with a consideration of RMB285,714,243 in equivalent U.S. dollars;

(b) the shareholders agreement dated February 28, 2023, and entered into among the Company, Mr. Wang, Mr. Shu Minghe, Ms. Zhao Shulan, Mr. Zhao Wenchen, Ms. Zhao Shujuan, Ms. Zhao, Shiyue Daotian Enterprise Management, Shiyue Zhongxin, Generation Sigma HK, MIC, YF Mega Media (HK), Sequoia Capital China Growth, Sequoia Hanchen, CMC October and Ceran Investment, pursuant to which the shareholders of the Company agreed to terminate certain special rights of certain shareholders;

(c) the [**REDACTED**]; and

(d) the [**REDACTED**].

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
1.		PRC (Hong Kong)	The Company	29/30/31	306015744	July 19, 2032
2.		PRC	Wuchang Caiqiao	29	22322469	January 27, 2028
3.		PRC	Wuchang Caiqiao	29	37591393	September 27, 2030
4.		PRC	Wuchang Caiqiao	30	31702590	March 27, 2029
5.		PRC	Wuchang Caiqiao	30	32834857	October 6, 2029
6.		PRC	Wuchang Caiqiao	30	9889681	October 27, 2032
7.		PRC	Wuchang Caiqiao	31	18784083	February 6, 2027
8.		PRC	Wuchang Caiqiao	29/31	31061901	August 27, 2029
9.		PRC	Wuchang Caiqiao	35	30321964	February 13, 2029
10.		PRC	Wuchang Caiqiao	5/29	32584560	July 13, 2030
11.		PRC	Wuchang Caiqiao	1/5/16/17/21/22/25/29/30/31/32/35/39/40/43	50154449	March 20, 2032

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
12.	十月稻田 SHI YUEDAOTIAN	PRC	Wuchang Caiqiao	29/30/31	28135706	May 27, 2029
13.	十月稻田	PRC	Wuchang Caiqiao	29	56468707	April 6, 2032
14.	十月稻田	PRC	Wuchang Caiqiao	30	56175019	February 13, 2032
15.	十月稻田	PRC	Wuchang Caiqiao	30	22364366	January 27, 2028
16.	十月稻田	PRC	Wuchang Caiqiao	29/30/31	60506905	July 27, 2032
17.	SHI YUE DAO TIAN	PRC	Wuchang Caiqiao	29/30/31/35	63819601	October 6, 2032
18.	十月稻田长粒香	PRC	Wuchang Caiqiao	30	17967400	January 6, 2027
19.	十月稻田长粒王	PRC	Wuchang Caiqiao	30	20558720	October 27, 2027
20.	十月稻田稻香米	PRC	Wuchang Caiqiao	30	38511378	November 6, 2030
21.	十月稻田鲜米	PRC	Wuchang Caiqiao	30	22517752	February 13, 2028
22.	十月稻田长粒香	PRC	Wuchang Caiqiao	30	39383583	May 27, 2030
23.	十月稻田稻香贡	PRC	Wuchang Caiqiao	30	57344849	April 13, 2032
24.	柴火大院	PRC	Wuchang Caiqiao	29	19972605	September 20, 2027
25.	柴火大院	PRC	Wuchang Caiqiao	29	62540040	August 27, 2032
26.	柴火大院	PRC	Wuchang Caiqiao	30	9479431	June 6, 2032
27.	柴火大院	PRC	Wuchang Caiqiao	30	31702591	March 27, 2029
28.	柴火大院	PRC	Wuchang Caiqiao	31	30339897	February 13, 2029

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
29.	柴火大院	PRC	Wuchang Caiqiao	35	30339894	February 13, 2029
30.	柴火大院	PRC	Wuchang Caiqiao	29/30	28135707	February 6, 2029
31.	柴火大院	PRC	Wuchang Caiqiao	29/30/31/32/33/35	36649109	May 27, 2031
32.	柴火大院长粒香	PRC	Wuchang Caiqiao	30	19955115	June 27, 2027
33.	柴火大院长粒王	PRC	Wuchang Caiqiao	30/35	28050490	November 20, 2028
34.	五谷宣言	PRC	Shenyang Xinchang	29	20352675	August 6, 2027
35.	五谷宣言	PRC	Shenyang Xinchang	30	20352810	August 6, 2027
36.	五谷宣言	PRC	Shenyang Xinchang	1/5/16/17/29/30/31/33/35	32834853	September 6, 2029
37.	Mitata 米她她	PRC	Wuchang Caiqiao	29/31	36649108	October 6, 2030
38.	Mitata 米她她	PRC	Wuchang Caiqiao	30	15519332	November 27, 2025
39.	Mitata 米她她	PRC	Wuchang Caiqiao	30	31702589	March 27, 2029
40.	米她她	PRC	Wuchang Caiqiao	5/29/30/31/35	58685061	February 20, 2032
41.	福享人家 FUXIANG RENJIA	PRC	Wuchang Caiqiao	30	59287737	May 13, 2032
42.	福享人家 FUXIANG RENJIA	PRC	Wuchang Caiqiao	30	6643145	March 27, 2030
43.	磨米世家	PRC	Wuchang Caiqiao	29/31	31061898	April 20, 2029
44.	磨米世家	PRC	Wuchang Caiqiao	30	31702588	June 13, 2029
45.	磨米世家	PRC	Wuchang Caiqiao	30	12577122	October 13, 2024
46.	寒地之最	PRC	Wuchang Caiqiao	30	24168002	May 6, 2028

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
47.	寒露秋香	PRC	Wuchang Caiqiao	30	8588352	August 27, 2031
48.	炊小二 Chuixiaoer	PRC	Wuchang Caiqiao	30	45386569	December 27, 2030
49.	米中玉	PRC	Wuchang Caiqiao	29/30/31/35	55388542	November 13, 2031
50.	北国臻米 BEI GUO ZHEN MI	PRC	Wuchang Caiqiao	30	22518044	February 13, 2028
51.	速快邦 SUKUAIBANG	PRC	The Company	39	23273175	March 13, 2028
52.	速快邦 SUKUAIBANG	PRC	The Company	39	57048187	March 13, 2032
53.		PRC	Wuchang Caiqiao	1/5/29/30/31/32/33/35/43	27908301	February 13, 2029

(b) Copyright

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright owner	Registration number	Date of registration
1	Mitata Girls	The Company	2021-F-01234841	February 20, 2021
2	Shiyuedaotian	The Company	2020-F-01109931	September 11, 2020
3	Chaihuodayuan	The Company	2020-F-01109930	September 11, 2020
4	Water Margin Biography	Wuchang Caiqiao	2016-F-00258758	March 25, 2016
5	Wuchangdayuan Graphic Trademark	Wuchang Caiqiao	2019-F-00798508	May 18, 2010
6	Chaihuodayuan Xiangrui Series Packing	Wuchang Caiqiao	2019-F-00908206	October 12, 2018
7	Daodao Image IP	Wuchang Caiqiao	2022-F-10182273	July 14, 2021
8	Brown Bear Laowang Series Cartoon Image	Wuchang Caiqiao	2017-F-00489346	March 6, 2017
9	The Coldest Place	Wuchang Caiqiao	2018-F-00636474	August 9, 2016
10	Daodao Adventure	Wuchang Caiqiao	2018-F-00668666	October 8, 2017
11	Chaihuodayuan	Wuchang Caiqiao	2016-F-00283922	January 8, 2014
12	Shiyuedaotian	Wuchang Caiqiao	2016-F-00283924	January 8, 2014

No.	Copyright	Copyright owner	Registration number	Date of registration
13	Milling Rice Family	Wuchang Caiqiao	2017-F-00441369	May 23, 2017
14	Fu Character Series Packing	Wuchang Caiqiao	2019-F-00908207	May 26, 2019
15	Packing Bags (Palace Series)	Wuchang Caiqiao	2019-F-00934070	April 22, 2019
16	Chinese Traditional Painting Series	Wuchang Caiqiao	2020-F-01208021	July 17, 2020
17	Ox Heads Series Packing	Wuchang Caiqiao	2019-F-00934069	March 22, 2019
18	Chinese Style Series	Wuchang Caiqiao	2020-F-01208018	June 5, 2020
19	Flowers Series	Wuchang Caiqiao	2020-F-01208020	September 21, 2019
20	Jingcui Series	Wuchang Caiqiao	2020-F-01208019	July 24, 2020
21	Shiyuedaotian Northeast China Great Rice Image Design	Wuchang Caiqiao	2022-F-10182274	February 15, 2020
22	Mitata	Wuchang Caiqiao	2016-F-00283923	January 8, 2014
23	Shiyuedaotian Graphical Trademark	Wuchang Caiqiao	2019-F-00798507	August 25, 2010

(c) Patents

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent Name	Patentee	Place of registration	Patent number	Application date
1.	Packing Bags (Shiyuedaotian Mixed Grain)	The Company	PRC	2017300824576	March 20, 2017
2.	Packing Bags (Hanluqiuxiang)	Wuchang Caiqiao	PRC	2022300175660	January 7, 2022
3.	Packing Bags (Chaihuo Animal Series)	Wuchang Caiqiao	PRC	202230017568X	January 7, 2022
4.	Rice Packing Bags (060)	Wuchang Caiqiao	PRC	202230017631X	January 7, 2022
5.	Mitata Series Packing Cans	Wuchang Caiqiao	PRC	202030623086X	October 16, 2020
6.	Packing Cans (Traditional Chinese Painting Series)	Wuchang Caiqiao	PRC	2020306230874	October 16, 2020
7.	Packing Cans (Jingcui Series)	Wuchang Caiqiao	PRC	2020306230889	October 16, 2020

No.	Patent Name	Patentee	Place of registration	Patent number	Application date
8.	Packing Bags (Flowers Series)	Wuchang Caiqiao	PRC	2020306230893	October 16, 2020
9.	Packing Bags (Ox Heads Series)	Wuchang Caiqiao	PRC	2020304812921	August 11, 2020
10.	Packing Bowls	Wuchang Caiqiao	PRC	2020304812936	August 11, 2020
11.	Packing Bags (Chaihuodayuan Xiangrui Series)	Wuchang Caiqiao	PRC	2019305255354	September 24, 2019
12.	Packing Bags (Fu Character Series)	Wuchang Caiqiao	PRC	201930525541X	September 24, 2019
13.	Packing Bags (Palace Series)	Wuchang Caiqiao	PRC	2019305255439	September 24, 2019

3. Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain names	Obligee	Registration number	Expiration date
1	Shiyuedaotian.Network	The Company	/	December 10, 2025
2	Shiyuedaotian.Corporation	The Company	/	December 10, 2025
3	Shiyuedaotian.China	The Company	/	December 10, 2025
4	Shiyuedaotian.cn	The Company	/	December 10, 2025
5	Shiyuedaotian.cc	The Company	/	December 10, 2025
6	Shiyuedaotian.com	The Company	/	December 10, 2025
7	Shiyuedaotian.net	The Company	/	December 10, 2025
8	Chaihuodayuan.shop	The Company	/	June 15, 2027
9	Chaihuodayuan.Network	The Company	/	December 10, 2025
10	Chaihuodayuan.Corporation	The Company	/	December 10, 2025
11	Chaihuodayuan.China	The Company	/	December 10, 2025
12	Chaihuodayuan.cc	The Company	/	December 10, 2025
13	Chaihuodayuan.com	The Company	/	December 10, 2025
14	Chaihuodayuan.net	The Company	/	December 10, 2025
15	Chaihuodayuan.cn	The Company	/	December 10, 2025
16	Shiyuedaotian.com	Shenyang Xinchang	Liao ICP Filed 19020169-1	April 3 2025

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Particulars of the Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we will enter into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

2. Directors' and Supervisors' Remuneration

For details of the remuneration of Directors and Supervisors, see "Directors, Supervisors and Senior Management – Remuneration of the Directors, Supervisors and Senior Management" and Note 9 to "Appendix I – Accountants' Report".

3. Disclosure of interests

(a) Interests and/or short positions of our Directors, Supervisors or chief executive in the share capital of our Company and its associated corporations following completion of the [REDACTED] *(assuming the Share Split is completed)*

Immediately following completion of the [**REDACTED**] (assuming the Share Split is completed and the [**REDACTED**] is not exercised), the interests and/or short positions of our Directors, Supervisors and chief executive in our Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interest in Shares

Name of Director, Supervisor or Chief Executive	Nature of Interests	Numbers of Shares held or interested	Approximate percentage of Shareholding following the completion of the [REDACTED]: Assuming the Share Split is completed and [REDACTED] is not exercised	Approximate percentage of Shareholding following the completion of the [REDACTED]: Assuming the Share Split is completed and [REDACTED] is fully exercised
Mr. Wang(1)(2)(3)	Beneficial interest	21,972,365	[**REDACTED**]%	[**REDACTED**]%
	Interest in controlled corporation	49,064,831	[**REDACTED**]%	[**REDACTED**]%
Ms. Zhao(1)(2)(3)	Interest of Spouse and interest in controlled corporation	71,037,196	[**REDACTED**]%	[**REDACTED**]%
Mr. Shu Minghe (4)(5)	Interest in controlled corporation	38,603,676	[**REDACTED**]%	[**REDACTED**]%
Ms. Zhao Shulan	Beneficial interest	1,288,334	[**REDACTED**]%	[**REDACTED**]%

Notes:

(1) As of the Latest Practicable Date, Mr. Wang and Ms. Zhao hold 70% and 30% of the equity interest in Shiyue Jinfeng, and Shiyue Jinfeng is the general partner of each of Shiyue Daotian Enterprise Management and Shiyue Zhongxin. Therefore, Mr. Wang and Ms. Zhao are deemed to be interested in the Shares held by each of Shiyue Daotian Enterprise Management and Shiyue Zhongxin in the Company.

(2) As Ms. Zhao is the spouse of Mr. Wang, therefore, each of Mr. Wang and Ms. Zhao is deemed to be interested in the Shares held by each other under the SFO.

(3) As of the Latest Practicable Date, Mr. Shu Minghe directly holds approximately 4.37% of the partnership interest in Shiyue Daotian Enterprise Management. In addition, Mr. Shu Minghe holds 100% of the equity interest in Shenyang Shengxin which holds approximately 39.31% of the partnership interest in Shiyue Daotian Enterprise Management. As such, Mr. Shu Minghe, directly and indirectly through Shenyang Shengxin, holds approximately 43.68% of the partnership interest in Shiyue Daotian Enterprise Management. Therefore Mr. Shu Minghe is deemed to be interested in the Shares held by Shiyue Daotian Enterprise Management in the Company under the SFO.

Save as disclosed above, none of the Directors, Supervisors or the chief executive of the Company will, immediately following completion of the [**REDACTED**], has any interests and/or short positions in the Shares, underlying Shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the [**REDACTED**], having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, see the section headed "Substantial Shareholders".

4. Disclaimers

(a) Save as disclosed in the section headed "History, Development and Corporate Structure," none of the Directors nor any of the experts referred to in "– Other Information – Qualifications and Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save in connection with the [**REDACTED**], none of the Directors nor any of the experts referred to in "– Other Information – Qualifications and Consents of Experts" below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.

(c) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of the Company nor is any such cash securities or benefit intended to be paid, allotted or given on the basis of the [**REDACTED**] or related transactions as mentioned.

(d) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group.

2. Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an [**REDACTED**] on our behalf to the [**REDACTED**] for the [**REDACTED**] of, and [**REDACTED**], our Shares in issue, our Shares to be issued pursuant to the [**REDACTED**] (including any Shares which may fall to be issued pursuant to the exercise of the [**REDACTED**]).

Each of Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited and China Securities (International) Corporate Finance Company Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between the Company and the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US$500,000 to act as the sponsors of our Company in connection with the proposed [**REDACTED**] on the Hong Kong Stock Exchange.

4. Qualifications and Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Morgan Stanley Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
China Securities (International) Corporation Finance Company Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor Registered in accordance with the Accounting and Financial Reporting Council Ordinance
Commerce & Finance Law Officers	PRC legal adviser
Frost & Sullivan (Beijing) Inc.	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Promoters

The promoters of the Company are:

No.	Name
1.	Shiyue Daotian Enterprise Management
2.	Mr. Wang
3.	Ms. Zhao
4.	Shiyue Zhongxin
5.	Generation Sigma HK
6.	YF Mega Media (HK)
7.	Sequoia Capital China Growth
8.	Sequoia Hanchen
9.	CMC October
10.	Ms. Zhao Shulan
11.	Ceran Investment
12.	MIC

Within the two years immediately preceding the date of this document, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

8. Compliance Adviser

Our Company has appointed Gram Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

9. Preliminary Expenses

The Company did not incur material preliminary expenses for the purpose of the Listing Rules.

10. No Material Adverse Change

The Directors confirm that there has been no material change in our financial or trading position since December 31, 2022.

11. Miscellaneous

(a) Save as disclosed in "Changes in Share Capital" above, within the two years immediately preceding the date of this document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(d) Save as disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(e) Save as disclosed in the paragraph headed "B. Further Information about our Business – 1. Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group. Save as disclosed in this document, no equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.

(f) Our Company has no outstanding convertible debt securities or debentures.

(g) There is no arrangement under which future dividends are waived or agreed to be waived.

(h) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

(i) We currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(i) a copy of the [**REDACTED**];

(ii) the written consents referred to under the paragraph headed "Statutory and General Information – D. Other Information – 4. Qualifications and Consents of Experts" in Appendix VI to this document; and

(iii) copies of the material contracts referred to in the paragraph headed "Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix VI to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.shiyuedaotian.com** during a period of 14 days from the date of this document:

(i) the Articles of Association;

(ii) the Accountants' Report of our Group from KPMG in respect of the consolidated financial information of our Group for each of the three years ended December 31, 2020, 2021 and 2022, the text of which is set out in Appendix I to this document;

(iii) the audited consolidated financial statements of our Group for each of the three years ended December 31, 2020, 2021 and 2022;

(iv) the report on the unaudited [**REDACTED**] financial information of our Group from KPMG, the text of which is set out in Appendix II to this document;

(v) the service contracts referred to in "Statutory and General Information – C. Further Information about our Directors, Supervisors and Senior Management – 1. Particulars of the Service Contracts" in Appendix VI to this document;

(vi) the material contracts referred to in "Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix VI to this document;

(vii) the written consents referred to under the paragraph headed "Statutory and General Information – D. Other Information – 4. Qualifications and Consents of Experts" in Appendix VI to this document;

(viii) the PRC legal opinions issued by Commerce & Finance Law Offices, our legal adviser on PRC law, in respect of certain aspects of our Group;

(ix) the PRC Company Law; and

(x) the industry report issued by Frost & Sullivan (Beijing) Inc. the summary of which is set forth in the section headed "Industry Overview" in this document.