卫龙美味全球控股有限公司
WEILONG DELICIOUS GLOBAL HOLDINGS LTD

(Incorporated in the Cayman Islands with limited liability)

Stock code: 09985.HK

GLOBAL OFFERING

Joint Sponsors

Morgan Stanley　CICC 中金公司　UBS 瑞銀集團

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

UBS 瑞銀集團　Morgan Stanley　CICC 中金公司

Joint Bookrunners and Joint Lead Managers

BNP PARIBAS　富途證券

Joint Lead Manager

建银国际 CCB International

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

卫龙美味全球控股有限公司
WEILONG Delicious Global Holdings Ltd

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**96,397,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**9,639,800 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**86,757,200 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price (Subject to a Downward Offer Price Adjustment)	**:**	**HK$11.40 per Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.005% (payable in full on application, subject to refund) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price after making a Downward Offer Price Adjustment, the Offer Price will be HK$9.36 per Hong Kong Offer Share)**
Nominal value	**:**	**US$0.00001 per Share**
Stock code	**:**	**9985**

Joint Sponsors

Morgan Stanley CICC 中金公司 UBS 瑞銀集團

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

UBS 瑞銀集團 Morgan Stanley CICC 中金公司

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, December 8, 2022 (Hong Kong time) and, in any event, not later than Friday, December 9, 2022 (Hong Kong time). The Offer Price will be not more than HK$11.40 and is currently expected to be not less than HK$10.40 per Offer Share. If, for any reason, the Offer Price is not agreed by Friday, December 9, 2022 (Hong Kong time) between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Grounds for Termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, registration under the U.S. Securities Act. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

December 5, 2022

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.weilongshipin.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

IMPORTANT

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the **Stock Exchange at www.hkexnews.hk** under the ***"HKEXnews > New Listings > New Listing Information"*** section, and our website at **www.weilongshipin.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

  (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

  (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$
200	2,302.97	6,000	69,089.37	100,000	1,151,489.49	4,819,800[1]	55,499,490.44
400	4,605.96	7,000	80,604.26	200,000	2,302,978.98		
600	6,908.93	8,000	92,119.16	300,000	3,454,468.47		
800	9,211.92	9,000	103,634.05	400,000	4,605,957.96		
1,000	11,514.90	10,000	115,148.95	500,000	5,757,447.45		
1,200	13,817.87	20,000	230,297.90	600,000	6,908,936.94		
1,400	16,120.85	30,000	345,446.84	700,000	8,060,426.43		
1,600	18,423.83	40,000	460,595.79	800,000	9,211,915.92		
1,800	20,726.81	50,000	575,744.75	900,000	10,363,405.41		
2,000	23,029.79	60,000	690,893.70	1,000,000	11,514,894.90		
3,000	34,544.68	70,000	806,042.65	2,000,000	23,029,789.80		
4,000	46,059.58	80,000	921,191.59	3,000,000	34,544,684.70		
5,000	57,574.48	90,000	1,036,340.54	4,000,000	46,059,579.60		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE[1]

Hong Kong Public Offering commences	9:00 a.m. on Monday, December 5, 2022
Latest time to complete electronic applications under the **HK eIPO White Form** service through one of the below ways: [2] (1) the **IPO App**, which can be downloaded by searching ''**IPO App**'' in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp** (2) the designated website at **www.hkeipo.hk**	11:30 a.m. on Thursday, December 8, 2022
Application lists open[3]	11:45 a.m. on Thursday, December 8, 2022
Latest time for (a) completing payment for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, December 8, 2022

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[3]	12:00 noon on Thursday, December 8, 2022
Expected Price Determination Date	Thursday, December 8, 2022
Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Arrangement. See the section headed "Structure of the Global Offering — Pricing and Allocation" on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.weilongshipin.com**.	Wednesday, December 14, 2022
Announcement of (1) the Offer Price, (2) the level of indications of interest in the International Offering, (3) the level of applications in the Hong Kong Public Offering and (4) the basis of allocations of the Hong Kong Offer Shares to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.weilongshipin.com** on or before[7]	Wednesday, December 14, 2022
An announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels (including the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.weilongshipin.com**[5] (see "How to Apply for Hong Kong Offer Shares – Publication of Results") from[7]	Wednesday, December 14, 2022
Results of allocations in the Hong Kong Public Offering will be available at the "IPO Results" function in the **IPO App** or at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function from[7]	Wednesday, December 14, 2022

Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before[6][7]	Wednesday, December 14, 2022
HK eIPO White Form e-Auto Refund payment instructions/refund checks in respect of wholly or partially unsuccessfully applications to be despatched on or before[6][7]	Wednesday, December 14, 2022
Dealings in the Shares on the Stock Exchange expected to commence at 9.00 a.m. on[7]	Thursday, December 15, 2022

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 8, 2022, the application lists will not open and close on that day. See "How to Apply for Hong Kong Offer Shares".

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares – 6. Applying through the **CCASS EIPO** Service" in this prospectus.

(5) None of the websites or any of the information contained on the websites forms part of this prospectus.

(6) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Thursday, December 15, 2022, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

(7) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Monday, December 5, 2022 to Thursday, December 15, 2022, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund checks/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares", respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, we will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Green Application Form(s) to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them, or any other person or party involved in the Global Offering. Information contained on our website, located at www.weilongshipin.com, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. 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 prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading spicy snack food company in China with strong growth momentum. According to Frost & Sullivan, in terms of retail sales value in 2021, we ranked first among all spicy snack food enterprises in China, with a market share of 6.2%, and ranked first in each of the seasoned flour product and spicy vegetable snack product categories. Weilong is a popular snack food brand among young consumers in China. According to Frost & Sullivan, 95.0% of our consumers are at or under the age of 35, and 55.0% are at or under the age of 25, and we are the most well-recognized and favored spicy snack food brand among consumers in China and the No. 1 snack food brand in terms of brand awareness among those at or under the age of 25.

We are committed to making authentic Chinese gourmet more entertaining, casual, convenient and affordable, and to introducing more spicy snack food products that offer consumers a cheerful consumption experience.

20 years ago, inspired by traditional Chinese formulas, we started our business with seasoned flour products, also commonly known as *Latiao* (辣條). In the early years, we produced some popular seasoned flour products with enticing spicy flavor using our self-developed formulas and raw materials procured from reputable suppliers, and offered them through a broad distribution channel at affordable prices to young consumers, which helped our brand cultivate a broad customer base. Our products accompanied the youthhood of the millennials in China, who became our first loyal customers. Over the years, we continued to enhance our formulas and improve our production process and techniques to maintain our leading position in the seasoned flour product category.

We are dedicated to using household food materials, such as soybean, flour and kelp, as our main ingredients and adhere to our product development philosophy of "maximizing the intrinsic value of nature with an industrialized approach". With our product development capabilities, we have in recent years diversified into vegetable and bean-based product categories, and launched multiple brands such as our "*Fengchi*" and "*Kiss Burn*" series. In 2021, two of our product categories, namely our seasoned flour products and our vegetable products, each generated over RMB1.0 billion in annual retail sales value; among them, four products, namely *Big Latiao, Konjac Shuang, Kiss Burn* and *Mini Latiao,* each generated over RMB500.0 million in annual retail sales value.

We focus on the research and development, manufacturing, sales and distribution of spicy snack food. We are committed to continuously upgrading existing products and introducing new products. We have a well-diversified and strategically-constructed product portfolio, covering the following categories:

- Seasoned flour products, primarily comprising *Big Latiao* (大麵筋), *Mini Latiao* (小麵筋), *Spicy Hot Stick* (麻辣棒), *Mini Hot Stick* (小辣棒) and *Kiss Burn* (親嘴燒).
- Vegetable products, primarily comprising *Konjac Shuang* (魔芋爽) and *Fengchi Kelp* (風吃海帶).
- Bean-based and other products, primarily comprising *Soft Tofu Skin* (軟豆皮), *78° Braised Egg* (78°滷蛋) and meat products.

We constantly adapt to changing purchasing behavior of consumers and have quickly expanded to supermarkets, chained convenience stores and e-commerce channels, which have wide exposure to young consumers. As of June 30, 2022, we cooperated with more than 1,830 offline distributors and our distributors' sales network covered approximately 735,000 retail points of sale in China, with significant potential for future expansion. Meanwhile, we have strengthened our presence on major e-commerce platforms. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue generated from online channels amounted to RMB250.8 million, RMB381.8 million, RMB553.8 million, RMB268.4 million, and RMB239.4 million, accounting for approximately 7.4%, 9.3%, 11.5%, 11.7%, and 10.6%, respectively, of our total revenue. In addition, we use e-commerce and social media channels to build a trendy and engaging brand image through interactive marketing activities, turning young consumers into our natural brand promoters.

Over the years, we have been dedicated to meet the changing needs of consumers through launching new products, upgrading existing products, introducing new product categories, as well as improving consumer experience. We actively explore new packaging size and style and consumer-friendly pricing policies to keep our products appealing to young consumers and to address a wide range of consumption scenarios. We have adopted brand building strategy that targets young consumers through content-based marketing, branding activities and the involvement of key opinion leaders. In addition, we continuously improve and upgrade both our online and offline distribution channels to provide consumers with more convenient purchase experience. As a result, in 2019, 2020 and 2021, we achieved strong growth and outstanding profitability. In 2019, 2020 and 2021, our total revenue reached RMB3,384.8 million, RMB4,120.4 million and RMB4,800.2 million, respectively. Our revenue slightly decreased by 1.8% from RMB2,302.8 million in the six months ended June 30, 2021 to RMB2,260.5 million in the six months ended June 30, 2022. From 2019 to 2021, the CAGR of our total revenue reached 19.1%, far exceeding the 4.2% CAGR of the snack food industry in China for the same period, according to Frost & Sullivan. Our net profit margin reached 17.2% in 2021, higher than the average net profit margin of approximately 10% in the snack food industry in China in 2021, according to Frost & Sullivan.

According to Frost & Sullivan, the spicy snack food market in China is relatively fragmented, with the top five players accounting for an aggregate market share of 11.5% in 2021 in terms of retail sales value. In 2021, we were the largest spicy snack food player in China with 6.2% market share, 3.9 times of the second largest player in terms of retail sales value. According to the same source, the spicy snack food market accounted for 21.0% of the total market size of the snack food industry in China in 2021, which is also fragmented. In 2021, we ranked 10th among approximately 3,000 snack food companies with annual revenue of over RMB20.0 million and a

presence in China and we ranked sixth among all domestic snack food companies, accounting for 1.3% of the overall market share in terms of retail sales value.

Leveraging our strong brand recognition, product competitiveness and channel distribution capability, we believe that we will continue to increase our market share and capitalize on future growth opportunities in the spicy snack food industry, which, according to Frost & Sullivan, is expected to reach a total addressable market of RMB273.7 billion by 2026.

OUR STRENGTHS

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

- Leader and pioneer in the spicy snack food industry in China;
- Broad and loyal follower base cultivated by frequent consumption, creating an influential brand among young consumers;
- Continuous upgrade of existing products and introduction of new products that makes authentic Chinese gourmet entertaining, casual, convenient and affordable;
- Omni-channel sales and distribution network with a huge growth potential that effectively reaches young consumers;
- A focus on quality through establishing an industry-leading production system and strict quality assurance system; and
- Strong corporate culture and a dedicated, earnest and vigorous management team.

OUR STRATEGIES

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

- Continue to expand product categories and improve product quality to enhance the core competency of our products;
- Continue to be devoted to brand building and enhance user engagement;
- Increase the breadth and depth of our distribution network;
- Accelerate digital intelligentization to improve our operating efficiency;
- Improve manufacturing capability and strategically expand production capacity; and
- Further enhance our R&D capabilities and upgrade our R&D facilities and management systems.

OUR PRODUCTS

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

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Seasoned flour products	2,474,574	73.1	2,690,287	65.3	2,918,039	60.8	1,401,128	60.9	1,341,422	59.3
Vegetable products	664,959	19.6	1,167,541	28.3	1,664,120	34.7	792,962	34.4	817,624	36.2
Bean-based and other products	245,233	7.3	262,529	6.4	218,041	4.5	108,752	4.7	101,483	4.5
Total	**3,384,766**	**100.0**	**4,120,357**	**100.0**	**4,800,200**	**100.0**	**2,302,842**	**100.0**	**2,260,529**	**100.0**

Our total revenue showed an increasing trend from 2019 to 2021 and slightly decreased in the six months ended June 30, 2022 compared with that of the same period in 2021. Revenue from our seasoned flour products increased by 8.7% from RMB2,474.6 million in 2019 to RMB2,690.3 million in 2020 and further increased by 8.5% to RMB2,918.0 million in 2021, primarily due to (i) increasing market demand as a result of greater recognition among consumers; (ii) our expansion of distribution network with the number of counties that our distribution network covered increased from 513 as of December 31, 2019 to 584 as of December 31, 2020 and further increased to 623 as of December 31, 2021. Revenue generated from our seasoned flour products decreased by 4.3% from RMB1,401.1 million in the six months ended June 30, 2021 to RMB1,341.4 million in the six months ended June 30, 2022, primarily due to (i) the impact on our production and delivery from the COVID-19 Resurgence, and (ii) the temporary impact on sales volume due to the price adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to. Revenue from the sales of premium packaging products, both in the absolute amount and as a percentage of total revenue, was higher than that from the sales of classic packaging products during the Track Record Period. Revenue from our seasoned flour products as a percentage of total revenue decreased from 73.1% in 2019 to 65.3% in 2020 and further to 60.8% in 2021, and decreased from 60.9% during the six months ended June 30, 2021 to 59.3% during the same period in 2022, reflecting our more diversified product mix following the significant sales growth of our vegetable products. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue from our vegetable products accounted for 19.6%, 28.3%, 34.7%, 34.4% and 36.2% of our total revenue, respectively. Our revenue from vegetable products grew both in absolute amount and as a percentage of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, as the market demand for such products increased and we continued to expand our production capacity for such products during the same periods.

The table below sets forth a breakdown of our sales volume and average selling price per kg by product category for the periods indicated:

		Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
Seasoned flour products	ton	173,296.0	179,511.4	193,598.6	94,669.9	81,588.7
	RMB/kg	14.3	15.0	15.1	14.8	16.4
Vegetable products	ton	24,130.1	41,585.4	60,699.3	29,003.5	27,861.4
	RMB/kg	27.6	28.1	27.4	27.3	29.3
Bean-based and other products	ton	11,378.9	10,161.0	7,212.7	3,665.8	2,943.4
	RMB/kg	21.6	25.8	30.2	29.7	34.4

Our sales volume of the seasoned flour products showed an increasing trend from 2019 to 2021 and decreased from the six months ended June 30, 2021 to the six months ended June 30, 2022. The continued increases in the sales volume of our seasoned flour products from 2019 to 2021 were attributable to a combination of (i) our enhanced product and brand recognition; and (ii) an expansion of our distribution network across China with the number of counties that our distribution network covered increased from 513 as of December 31, 2019 to 584 as of December 31, 2020 and further to 623 as of December 31, 2021, and the decrease in sales volume of our seasoned flour products from the six months ended June 30, 2021 to the six months ended June 30, 2022 was primarily attributable to (i) the impact on our production and delivery from the COVID-19 Resurgence, and (ii) the temporary impact due to the price adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to. See "Business – Our Sales Channel – Offline Channels."

The increase in the sales volume of our vegetable products from 2019 to 2021, which was generally in line with the increase in its revenue scales during the same period, was mainly the results of (i) an increase in the market demand for such products; (ii) an expansion of our distribution network and an increase of distribution coverage of such products; and (iii) an increase in our production capacity for such products with the designed production capacity for vegetable products increased from 24,756.2 tons in 2019 to 45,936.0 tons in 2020 and further increased to 79,992.0 tons in 2021, and the decrease in sales volume of our vegetable products from the six months ended June 30, 2021 to the six month ended June 30, 2022 was primarily in relation to (i) the impact on our production and delivery from the Resurgence of COVID-19, and (ii) the temporary impact due to the price adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to.

The decrease in the sales volume of our bean-based and other products from 2019 to 2021 was mainly because (i) we adopted a new packaging design for our bean-based products, and it took time for consumers to become familiar with our new design; and (ii) we discontinued certain such products to optimize the product mix and from the six months ended June 30, 2021 to the six months ended June 30, 2022 primarily due to (i) the impact on our production and delivery from the COVID-19 Resurgence, and (ii) our optimization of marketing resource allocation which reduced marketing activities for certain of our bean-based and other products.

OUR CUSTOMERS AND SALES CHANNELS

Our customers are primarily offline and online distributors, and to a much lesser extent, individual consumers who purchase from our self-operated online stores. We distribute our products through both our offline channels and online channels. The table below sets out a breakdown of our revenue by sales channels for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Offline channels[(1)]	3,133,928	92.6	3,738,582	90.7	4,246,420	88.5	2,034,446	88.3	2,021,169	89.4
Online channels	250,838	7.4	381,775	9.3	553,780	11.5	268,396	11.7	239,360	10.6
– Online distribution[(2)]	144,034	4.2	230,677	5.6	302,289	6.3	153,590	6.7	117,861	5.2
– Online direct sales[(3)]	106,804	3.2	151,098	3.7	251,491	5.2	114,806	5.0	121,499	5.4
Total	**3,384,766**	**100.0**	**4,120,357**	**100.0**	**4,800,200**	**100.0**	**2,302,842**	**100.0**	**2,260,529**	**100.0**

(1) Offline channels mainly include distribution through our offline distributors. During the Track Record Period, our revenue generated from offline channels other than offline distributors was immaterial.

(2) Online distribution refers to the sales model under which we distribute goods to online retailers such as Tmall Supermarket and JD Supermarket, or other online distributors, who then sell our products to consumers.

(3) Online direct sales refers to the sales model under which we sell products directly to consumers through our self-operated online stores on multiple third-party online platforms, such as Tmall, JD.com, Pinduoduo, Douyin, and Kuaishou.

We have a nationwide distribution network that deeply penetrates the Chinese market. As of June 30, 2022, we cooperated with more than 1,830 offline distributors which covered approximately 735,000 retail points of sale in China. We implement a strict screening and evaluation mechanism and regularly visit distributors and retail points of sale to monitor their performance.

We mainly adopt a single-layer distribution model. For each geographical region, we choose a certain number of distributors who are key to our business expansion and cooperation in the region. We usually deliver products to distributors after they have made payment and generally do not accept returns or exchange of products from distributors except for quality problems that occur during the warranty period of the product.

We have established a traceability system to minimize the risk of cannibalization. Most packaged products are identifiable with a QR code on their packages of the smallest sellable unit, their wholesale box packages, and their delivery notes from us. Products sold in bulk are identifiable with a QR code on their delivery boxes and delivery notes from us. For example, we offer *Konjac Shuang* in packages and in bulk packs. Each package of *Konjac Shuang*, which contains 20 smaller single individual packs, is a smallest sellable unit to end-consumers. We sell such packaged products in wholesale boxes to our distributors. Meanwhile, *Konjac Shuang* in bulk packs are usually sold in bulk or by weight at retail points of sale to end-consumers. For such products, we sell them in delivery boxes to our distributors. All distributors are required to scan the QR code when they receive the products to record the flow of products. Receiving distributor scans the QR code on the products to confirm

products receipt and complete the registration process, which allows our system to establish a link between the products and the receiving distributor. The receiving distributor is marked permanently as the first distributor. If the products carrying the QR code are sold outside the designated sales region of the first distributor, our sales team or distributors in the affected regions could easily track such on-sell activities by tracing the products through their QR code back to the first distributor.

To complement our offline channels, we also sell our products through our online channels, either under our online direct sales model, or under our online distribution model. Revenue generated from online channels (including online direct sales model and online distribution model) in 2019, 2020 and 2021 grew at a CAGR of 48.6%, which amounted to RMB250.8 million, RMB381.8 million and RMB553.8 million, respectively, accounting for approximately 7.4%, 9.3% and 11.5%, respectively, of our total revenue in the same periods.

OUR PRODUCTION

As of June 30, 2022, we had four plants in Henan, namely Luohe Pingping Plant, Luohe Weilai Plant, Zhumadian Weilai Plant and Luohe Weidao Plant, and one plant under construction in Henan, namely Luohe Xinglin Plant, at which part of the production lines had been utilized for test production. The tables below set out the details of our designed production capacities, actual production volume, and utilization rates for the periods indicated, by product types and by plants:

	Year ended December 31,									Six months ended June 30,		
	2019			2020			2021			2022		
	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate
Product Segment	(ton)			(ton)			(ton)			(ton)		
Seasoned flour products	190,407.3	166,579.5	87.5%	235,972.0	168,855.3	71.6%	261,308.3	179,653.9	68.8%	107,773.3	75,497.1	70.1%
Vegetable products	24,756.2	21,760.4	87.9%	45,936.0	39,331.6	85.6%	79,992.0	60,599.3	75.8%	38,214.0	26,809.9	70.2%
Bean-based and other products	11,101.7	7,558.5	68.1%	4,860.6	3,642.6	74.9%	5,310.0	4,643.9	87.5%	1,545.8	1,192.5	77.1%
Total	**226,265.2**	**195,898.4**	**86.6%**	**286,768.6**	**211,829.5**	**73.9%**	**346,610.3**	**244,897.1**	**70.7%**	**147,533.1**	**103,499.5**	**70.2%**

	Year ended December 31,									Six months ended June 30,		
	2019			2020			2021			2022		
	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate
Production Plants	(ton)			(ton)			(ton)			(ton)		
Luohe Pingping Plant	117,437.3	97,198.2	82.8%	123,619.5	97,032.6	78.5%	113,484.5	86,365.5	76.1%	52,696.9	34,292.0	65.1%
Luohe Weilai Plant	38,003.2	32,412.1	85.3%	60,358.8	39,029.5	64.7%	64,034.7	38,280.9	59.8%	28,278.6	18,382.6	65.0%
Zhumadian Weilai Plant	70,120.7	65,761.2	93.8%	71,253.9	55,391.1	77.7%	70,848.6	55,386.5	78.2%	18,354.1	14,557.8	79.3%
Luohe Weidao Plant	704.0	526.9	74.8%	31,536.4	20,376.3	64.6%	98,242.5	64,864.2	66.0%	48,203.5	34,202.7	71.0%
Luohe Xinglin Plant	—	—	—	—	—	—	—	—	—	N/A	2,064.4	N/A
Total	**226,265.2**	**195,898.4**	**86.6%**	**286,768.6**	**211,829.5**	**73.9%**	**346,610.3**	**244,897.1**	**70.7%**	**147,533.1**	**103,499.5**	**70.2%**

For details of the fluctuation of our designed production capacities, actual production volume, and utilization rates, see "Business – Our Production – Our Production Facilities."

RAW MATERIALS, PACKAGING MATERIALS AND SUPPLIERS

We aim to provide safe and delicious products to our consumers by selecting high-quality raw materials. We cooperate with large-scale raw material providers and directly purchase raw materials from their key production regions to ensure high-quality and stable supply of raw materials.

We produce our products from a wide variety of ingredients. The primary raw materials that we use in the production of our products are soybean oil, flour and konjac, among others. Seasoning and other auxiliary materials such as chili and pricklyash are also used in our production process. We also purchase and use large quantities of packaging materials, including cardboard boxes and packaging bags.

Most of our primary raw materials, such as soybean oil and flour, are commodities. For commodities that we use across many of our product categories, we coordinate sourcing requirements and centralize procurement to leverage our scale. Their prices generally fluctuate with market conditions. The prices of our other primary raw materials and packaging materials fluctuate as a result of various factors, including supply and demand, our bargaining power with our suppliers and logistics. On a case-by-case basis, we seek to establish preferred purchaser status and have developed long-term partnerships with some of our suppliers to achieve favorable pricing and dependable supply for certain commodities. Although the prices of raw material and packaging materials may fluctuate in the future, there will be an adequate supply of raw materials and packaging materials generally available from numerous sources.

Our suppliers are mainly raw material suppliers, packaging material suppliers and OEM suppliers. See "Business – Our Raw Materials, Packaging Materials and Suppliers – Suppliers."

COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, the snack food market in China is relatively fragmented, with the top 15 players accounting for an aggregate market share of 21.5% in 2021 in terms of retail sales value. In 2021, we ranked the 10th in China's snack food market, among approximately 3,000 domestic and MNC ("multinational companies") companies with a presence in China which had an annual revenue of over RMB20.0 million and we ranked sixth among all domestic companies, accounting for 1.3% of the overall market in terms of retail sales value.

According to the Frost & Sullivan Report, the spicy snack food market in China is also relatively fragmented, with the top five players accounting for an aggregate market share of 11.5% in 2021 in terms of retail sales value. In 2021, we were the largest spicy snack food player in China with a market share of 6.2%, 3.9 times of the second largest in terms of retail sales value, exceeding the aggregate market share of players ranked 2nd to 5th.

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, 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 the snack food market in China. For additional information, see "Industry Overview," and "Risk Factors – Risks Relating to Our Business and Industry – We operate in a highly competitive industry. Failure to compete effectively could adversely affect our market share, growth and profitability."

FOOD SAFETY AND QUALITY CONTROL

Food safety and quality is our top priority. Our food safety and quality assurance system covers the entire production process of our products, including steps from procurement, production, storage, distribution to sales.

The raw materials and products are tracked in order to meet customers' requirements and the corresponding legal and regulatory requirements.

Our ingredients primarily include wheat flour, konjac, kelp, water, and soybean oil. We also use food additives such as flavor enhancers including MSG and antioxidants including TBHQ. Our use of food additives is in strict compliance with applicable laws and regulations. Consumption of snack food with this level of food additives generally does not impose health risks for consumers.

Our nutrients primarily include carbohydrate, protein, fat, and dietary fibers. The main source of fat in our products is soybean oil. The fat content of our main products ranges from less than 2% (*Fengchi Kelp*) to approximately 50% (*Soft Tofu Skin*), with the fat content of the majority of our main products under 25%. According to the Frost & Sullivan Report, saturated fat exists naturally in many foods and ingredients. Soybean oil generally has lower share of saturated fat comparing to animal or tropical plant-based oils. The saturated fat content in our products ranges approximately from 0.3% to 7.5%, with the saturated fat content in most of our products under 3.8%. Common health issues associated with excessive consumption of snack food with fat include obesity.

Underpinned by our dedication to delivering quality products to consumers, we are devoted to food and nutrition research in our continuous upgrade of existing products and launch of new products. For example, we offer *Kiss Burn* with 3.3g dietary fiber in every 100g of our products, which is also free of trans-fatty acids or cholesterol. Also, we offer *Fengchi Kelp* as a low-fat snack option with 2.6g fat contained in every 100g of our products. In addition, we have launched an overall upgrade of our major products, among which we have applied new packages, production techniques, ingredients and specification since May 2022.

We set up control points for food safety and quality in every segment throughout the production process and carefully track and inspect our formulas, raw materials, food additives, and production processes. Our quality management center is responsible for food safety management, raw and packaging materials management, production process management and customer service management, as well as the establishment of food safety and quality assurance systems. We strive to use high-quality ingredients, scientifically sound formulas and advanced production techniques to present the original flavor and nutritional value of the raw materials used in our processed food products. We implemented stringent internal standards for food additives used in our products. However, the growing trends of healthy food and negative publicity on food additives may harm the reputation of our products. See "Risk Factors – The growing trends of healthy snacking and the negative publicity on potentially carcinogenic additives, flavor enhancer and other chemicals used in the production of snacks, whether substantiated or not, may have material adverse impact on our business."

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

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 Accountant's Report in Appendix I to this prospectus. 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 Accountant's Report in Appendix I to this prospectus, 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 periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Revenue from contracts with customers	3,384,766	4,120,357	4,800,200	2,302,842	2,260,529
Cost of sales of goods	(2,130,463)	(2,554,692)	(3,007,169)	(1,453,138)	(1,398,981)
Gross profit	1,254,303	1,565,665	1,793,031	849,704	861,548
Distribution and selling expenses	(281,265)	(370,975)	(520,613)	(262,610)	(269,487)
Administrative expenses	(138,204)	(201,096)	(359,110)	(140,446)	(220,704)
Other income, net	35,148	58,841	152,666	16,221	59,909
Other (losses)/gains, net	(1,744)	31,427	11,715	2,490	(598,655)
Operating profit/(loss)	868,238	1,083,262	1,077,386	465,359	(167,046)
Finance income	107	481	24,782	7,865	31,704
Finance costs	(3,215)	(5,785)	(5,536)	(1,967)	(7,971)
Profit/(loss) before income tax	866,508	1,078,337	1,096,632	471,257	(143,313)
Profit/(loss) for the year/period	658,099	818,764	826,729	357,586	(260,830)

Note: The above table sets forth selected key items of our consolidated statements of profit or loss. 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 net profit (Non-IFRS measure) as additional financial measure, which is not required by, or presented in accordance with IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it helped our management. However, our presentation of adjusted net profit (Non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure 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 net profit (Non-IFRS measure) as net profit/(loss) for the year/period adjusted by adding back share-based payment expenses and listing expenses. The following table reconciles our adjusted net

profit (Non-IFRS measure) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which is net profit for the period:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) *(unaudited)*	(RMB'000)
Reconciliation of net profit/(loss) to adjusted net profit *(Non-IFRS measure)*					
Profit/(loss) for the year/period	658,099	818,764	826,729	357,586	(260,830)
Add:					
Share-based payment to employees[(1)]	—	—	50,519	8,308	49,107
Listing expenses [(2)]	905	2,457	30,502	13,750	7,804
Share-based payments related to Pre-IPO Investments [(3)]	—	—	—	—	628,811
Adjusted net profit (Non-IFRS measure)[(4)]	**659,004**	**821,221**	**907,750**	**379,644**	**424,892**

(1) Share-based payment to employees, which is non-cash in nature mainly represent the arrangement that we receive services from employees as consideration for our equity instruments.

(2) Listing expenses mainly relate to the Global Offering.

(3) Share-based payments related to Pre-IPO Investments refer to the supplemental agreement of share purchase agreement our Company entered into with certain Pre-IPO investors, pursuant to which our Company issued and sold to these investors a total number of 157,626,890 ordinary shares, at a par value of US$0.00001 of each share, for a consideration of US$1,576.2689 in April 2022.

(4) A non-IFRS measure.

Gross profit and gross margin

The table below sets forth a breakdown of our gross profit and gross margins by products for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 *(unaudited)*	%	RMB'000	%
Seasoned flour products	920,009	37.2	1,012,162	37.6	1,046,962	35.9	494,195	35.3	467,013	34.8
Vegetable products	247,574	37.2	458,302	39.3	663,403	39.9	311,238	39.3	353,561	43.2
Bean-based and other products	86,720	35.4	95,201	36.3	82,666	37.9	44,271	40.7	40,974	40.4
Total	**1,254,303**	**37.1**	**1,565,665**	**38.0**	**1,793,031**	**37.4**	**849,704**	**36.9**	**861,548**	**38.1**

Our total gross profit showed an increasing trend during the Track Record Period primarily as the result of the continuous increase in gross profit from vegetable products during the Track Record Period and the increase in gross profit from seasoned flour products from 2019 to 2021. Our gross profit increased by 24.8% from RMB1,254.3 million in 2019 to RMB1,565.7 million in 2020 and further increased by 14.5% to RMB1,793.0 million in 2021, mainly due to the increase in our revenue. Our gross profit increased by 1.4% from RMB849.7 million in the six months ended June 30, 2021 to RMB861.5 million in the six months ended June 30, 2022, primarily due to the increase in gross profit from vegetable products, partially offset by the decrease in gross profit from seasoned flour products. Our gross profit margin increased from 37.1% in 2019 to 38.0% in 2020,

mainly due to the increased selling prices of seasoned flour products and changes in product mix. Our gross profit margin remained relatively stable at 38.0% in 2020 and 37.4% in 2021. Our gross profit margin increased from 36.9% in the six months ended June 30, 2021 to 38.1% in the six months ended June 30, 2022 primarily due to the increased selling prices of our products.

Profit/loss for the year/period

Our profit for the year increased by 24.4% from RMB658.1 million in 2019 to RMB818.8 million in 2020, primarily due to the increase in our revenue. Our profit for the year was RMB818.8 million in 2020 and RMB826.7 million in 2021, respectively, which remained relatively stable. Our profit/loss for the period changed from a profit of RMB357.6 million in the six months ended June 30, 2021 to a loss of RMB260.8 million in the six months ended June 30, 2022, primarily due to the share-based payments related to Pre-IPO Investments, partially offset by the increase in our gross profit from RMB849.7 million to RMB861.5 million during the same period.

Key Items of Consolidated Balance Sheets

The following table sets out the key items of our consolidated balance sheets as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Non-current assets	557,985	1,080,422	2,204,324	2,745,160
Current assets	1,085,873	1,860,071	2,986,265	3,174,236
Non-current liabilities	42,928	140,278	265,148	370,634
Current liabilities	786,779	1,167,951	1,255,512	1,412,672
Net current assets	299,094	692,120	1,730,753	1,761,564
Net assets	814,151	1,632,264	3,669,929	4,136,090

Note: The above table sets forth selected key items of our consolidated balance sheets. See "Financial Information – Key Line Items of Our Current Assets and Liabilities".

Our net current assets increased from RMB299.1 million as of December 31, 2019 to RMB692.1 million as of December 31, 2020, primarily due to an increase in the financial assets at fair value through profit or loss. Our net current assets increased from RMB692.1 million as of December 31, 2020 to RMB1,730.8 million as of December 31, 2021, primarily due to an increase in our term deposits with initial term of over three months and an increase in our cash and cash equivalents. Our net current assets increased from RMB1,730.8 million as of December 31, 2021 to RMB1,761.6 million as of June 30, 2022, primarily due to the increase in our financial assets at fair value through profit or loss mainly in relation to the increase in our purchase of structured deposit.

Our net assets increased from RMB814.2 million as of December 31, 2019 to RMB1,632.3 million as of December 31, 2020 primarily in relation to our profit for the year in 2020, and further increased to RMB3,669.9 million as of December 31, 2021 primarily in relation to capital injection and profit for the year in 2021, which was partially offset by our repurchase of shares in connection with Pre-IPO Investments and our dividends declared. Our net assets further increased to RMB4,136.1 million as of June 30, 2022 primarily in relation to our profit before share-based payments related to Pre-IPO Investments.

Summary of the Consolidated Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Net cash generated from operating activities	750,005	706,401	889,126	450,865	447,159
Net cash used in investing activities	(619,554)	(878,781)	(1,780,817)	(383,403)	(1,126,607)
Net cash (used in)/generated from financing activities	(217,693)	245,605	1,260,476	1,118,527	353,679
Net increase/(decrease) in cash and cash equivalents	(87,242)	73,225	368,785	1,185,989	(325,769)
Cash and cash equivalents at the beginning of the year/period	176,236	88,994	161,740	161,740	494,275
Effects of exchange rate changes on cash and cash equivalents	—	(479)	(36,250)	(31,022)	12,349
Cash and cash equivalents at the end of the year/period	88,994	161,740	494,275	1,316,707	180,855

Key Financial Ratios

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

	Year ended/As of December 31,			Six months ended/As of June 30,
	2019	2020	2021	2022
Net profit/(loss) margin[(1)]	19.4%	19.9%	17.2%	(11.5%)
Adjusted net profit margin (non-IFRS measure)[(2)]	19.5%	19.9%	18.9%	18.8%
Return on assets[(3)]	49.9%	35.7%	20.3%	(9.4%)
Return on equity[(4)]	135.6%	66.9%	31.2%	(13.4%)
Current ratio[(5)]	1.38	1.59	2.38	2.25
Quick ratio[(6)]	0.87	1.13	1.90	1.89
Gearing ratio[(7)]	16.9%	24.1%	12.5%	19.8%

(1) Equals profit/(loss) for the year/period divided by revenue and multiplied by 100%.

(2) Equals adjusted net profit for the year/period as a non-IFRS measure divided by revenue and multiplied by 100%.

(3) Equals profit for the years ended December 31, 2019, 2020 and 2021, or annualized profit/(loss) for the six months ended June 30, 2022 divided by the average of the beginning and ending balance of total assets for that period and multiplied by 100%.

(4) Equals profit for the years ended December 31, 2019, 2020 and 2021, or annualized profit/(loss) for the six months ended June 30, 2022 divided by the average of the beginning and ending balance of total equity for that period and multiplied by 100%.

(5) Equals current assets divided by current liabilities as of the same date.

(6) Equals current assets less inventories and divided by current liabilities as of the same date.

(7) Equals total debt divided by total equity and multiplied by 100%.

RISK FACTORS

Our business and the Global Offering 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 Offer Shares. Some of the major risks we face include: (i) Our business and future growth prospects rely on consumer demand for our products. Any

shift in consumer demand, or any unexpected situation with a negative impact on consumer demand may materially and adversely affect our business and results of operations; (ii) Our business depends on market recognition of our brand. And any damage to our brand, trademarks or reputation, or failure to effectively promote our brand, could materially and adversely impact our business and results of operations; (iii) Any failure to maintain food safety and consistent quality could have a material and adverse effect on our brand, business and financial performance; (iv) We rely on third-party distributors to place our products into the market and we may not be able to control our distributors and their sub-distributors; and (v) Adverse publicity involving us, our products, our raw materials, our Directors, our management team, our spokespersons, our competitors or our industry could materially and adversely impact our business and results of operations.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. LIU Weiping and Mr. LIU Fuping, through their trust vehicles and various intermediary subsidiaries, will be collectively interested in approximately 80.99% of our enlarged issued share capital through HH Global Capital, and therefore will continue to be the group of our Controlling Shareholders.

None of the Company's Controlling Shareholders has any interest in any business, other than the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business. See "Relationship with Our Controlling Shareholders – Competing Issues under Rule 8.10 of the Listing Rules."

CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the completion of the Global Offering which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. See "Connected Transactions" and "Waivers from Strict Compliance with Listing Rules – Non-exempt Continuing Connected Transactions."

PRE-IPO INVESTMENTS

We introduced CPE, CWL Management XVIII Limited, Hillhouse, Tencent, Yunfeng Capital, Sequoia Capital China, Duckling Fund, L.P., Hosen Capital, Oceanpine Capital and Shanghai Hongluo as our Pre-IPO Investors through the Pre-IPO Investments. For details of the Pre-IPO Investments, see "History and Reorganization – Pre-IPO Investments."

EMPLOYEE INCENTIVE SCHEME

In order to incentivize and reward our Directors, members of senior management and other employees who have contributed to the development of our Group, an RSU Scheme was approved and adopted by our Board on January 1, 2021. For further details about the RSU Scheme, see "Statutory and General Information – D. Employee Incentive Scheme" in Appendix IV.

DIVIDEND

We paid dividends of RMB308.1 million, RMB1.4 million, RMB596.0 million and nil, respectively, in 2019, 2020, 2021 and the six months ended June 30, 2022. We may distribute dividends by way of cash or by

other means that our Board considers appropriate. Distribution of dividends is subject to the discretion of our Board and, if necessary, the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant. Subject to applicable laws and regulations, our dividend policy is to distribute to our Shareholders no less than 25% of our distributable profits for any particular year after the Listing. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future. See "Financial Information – Dividend."

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$935.5 million from the Global Offering, after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, assuming the Offer Price of HK$10.90 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and assuming that the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes:

- approximately 57.0% of the net proceeds (approximately HK$533.2 million) will be used to expand and upgrade our production facilities and supply chain system to improve our production capacity and warehousing management and product quality;

- approximately 15.0% of the net proceeds (approximately HK$140.3 million) will be used to further expand our sales and distribution network;

- approximately 10.0% of the net proceeds (approximately HK$93.5 million) will be used for brand building;

- approximately 10.0% of the net proceeds (approximately HK$93.5 million) will be used for product research and development activities and enhancement of research and development capabilities; and

- approximately 8.0% of the net proceeds (approximately HK$74.8 million) will be used to advance the digitization and intelligence of our business.

For details, see "Future Plans and Use of Proceeds – Use of Proceeds."

IMPACT OF COVID-19 AND COMPANY'S RECENT DEVELOPMENT

Impacts of the COVID-19 Outbreak

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, China, together with other countries and regions across the world, has taken various measures to contain the spread of the virus. In the first half of 2022,

there had been large-scale resurgence of COVID-19, including the highly transmissible Delta and Omicron variant in various provinces across China, with a surge in the number of cases in April, 2022 (the "Resurgence"). Since June 30, 2022 and up to the Latest Practicable Date, there have been sporadic regional outbreaks, mainly in relation to the highly transmissible Omicron variant in various provinces across China, with a surge in the number of cases in November, 2022 (the "Regional Resurgence".)

Impacts on our production. Although there was no suspension of operations at our production plants, our production capacity was affected in April 2022 primarily due to higher absence rate of work staff. Our production was not materially affected by the Regional Resurgence since June 30, 2022 and up to the Latest Practicable Date.

Impacts on our supply chain. Our supply chain was also, to a certain extent, impacted. As we have maintained long term relationship with nationwide suppliers, such impacts on our raw material procurement were limited. We have also taken additional measures including procuring from back-up suppliers, applying for transportation pass, designating specialized coordinator, and utilizing self-owned vehicles to pick up goods, to minimize the negative impact on our raw material procurement. We have not encountered any shortage of raw materials.

Impacts on our product delivery. Some of our product deliveries were delayed in relation to social restriction measures on travel and transportation against the backdrop of the Resurgence and the Regional Resurgence. During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes, litigation, or legal proceedings for not being able to fulfill our orders resulting from COVID-19 outbreak which would have a material adverse effect on our business.

We prioritize the health conditions of our employees in all our business operations. In response to the COVID-19 outbreak, we have employed various measures to mitigate the impact of the COVID-19 outbreak on our business operations, such as (i) organizing shuttle buses for our staff and monitoring them closely to track their health and wellness status; (ii) increasing salaries for certain production workers to alleviate their financial difficulties, which also helped us retain a steady workforce; and (iii) increasing our sales and marketing efforts on online channels that are catered to the evolving consumption habits and preferences. In response to the Resurgence, we have employed measures including (i) conducting routine sanitization; (ii) requiring regular negative COVID-19 PCR result; (iii) providing preventive gears such as masks, gloves, and medicines; and (iv) designating separate venue for quarantine purposes.

There is no guarantee that the prolonged pandemic will not affect the demands for our products and our operations in the future. Should China experience a further outbreak, our business operation may be impacted. Our results of operations and financial position will be affected by the future development of the COVID-19, including its local and global severity and actions taken to contain it, which are highly uncertain and unpredictable.

See "Risk Factors – Risks relating to Our Business and Industry – The outbreak of COVID-19 adversely affected, and may continue to affect, the demand for our products, our business operations and financial conditions." As of the Latest Practicable Date, our business operations and financial conditions were not materially impacted by the COVID-19 outbreak.

Recent Developments

Our business operations and financial results remained relatively stable since June 30, 2022, while we observed a slight decrease in sales for the ten months ended October 31, 2022 compared with that of the same period in 2021, primarily due to (i) the regional resurgences of COVID-19 in certain parts of China; and (ii) the price adjustment resulted from our recent product upgrade in our major product categories in the first half of 2022. See "Financial Information – RESULTS OF OPERATIONS – The six months ended June 30 2022 compared to the six months ended June 30, 2021." Leveraging our strong brand awareness, broad customer base and efficient supply chain management, we do not expect that COVID-19 and price adjustment would materially and adversely impact our results of operations and profit margins in 2022.

Our profit for the year in 2022 is expected to decrease substantially mainly due to the share-based payments related to Pre-IPO Investments in relation to the supplemental agreement of share purchase agreement our Company entered into with certain Pre-IPO investors, pursuant to which our Company issued and sold to these investors a total number of 157,626,890 ordinary shares, at a par value of US$0.00001 of each share, for a consideration of US$1,576.2689 in April 2022.

Certain production lines of our Luohe Xinglin Plant have been put into operation for tests and trials since May 2022. In addition, in March 2022, we entered into a land use right transfer agreement for a parcel of land with an area of 139,496.00 sq.m. with the local government in Yunnan Province. In September 2022, we entered into a land use right transfer agreement for a parcel of land with an area of 17,399.00 sq.m. with the local government in Yunnan Province. As of the Latest Practicable Date, we had paid the full consideration of the land use right to the local government and had obtained a land ownership certificate for such land which will be used for our Yunnan Qujing Plant.

As the leader in spicy snack industry with accumulated industry experience, expertise and advanced level of R&D, we worked with Chinese Institute of Food Science and Technology (the "CIFST") and other academic institutes and associations in drafting the Industry Standards for Seasoned Flour Products (QB/T 5729-2022), which was promulgated by the Ministry of Industry and Information Technology on April 24, 2022 and came into effect on October 1, 2022. In July 2022, we assisted the CIFST to host a seminar discussing the abovementioned industry standards, which provided guidance for the development of the industry in the long term. The new standard will significantly reduce the number of varieties of food additives and lower the content of salt and oil in seasoned flour products, and is expected to raise entry barriers to the players in the industry. Leading players with higher operating standards could benefit from the rising industry standard and gain more market share in the future.

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 prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022, being the end date of the periods reported on in the Accountant's Report in Appendix I to this prospectus, and there is no event since June 30, 2022 that would materially affect the information as set out in the Accountant's Report in Appendix I to this prospectus.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 96,397,000 Shares are issued pursuant to the Global Offering, (ii) 2,254,748,578 Shares are issued and outstanding prior to the Global Offering, and (iii) the Over-allotment Option is not exercised.

	Based on the Offer Price of HK$9.36 per share after a Downward Offer Price Adjustment of 10%	Based on an Offer Price of HK$10.40	Based on an Offer Price of HK$11.40
Market capitalization of our Shares[(1)]	HK$22,006.7 million	HK$24,451.9 million	HK$26,803.1 million
Unaudited pro forma adjusted consolidated net tangible assets per Share	HK$2.27	HK$2.31	HK$2.35

(1) The calculation of market capitalization is based on 2,351,145,578 Shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We expect to incur listing expenses of approximately HK$115.3 million (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised), of which approximately HK$46.3 million will be directly attributable to the issue of our Shares and deducted from equity, and the remaining HK$69.0 million will be expensed in our consolidated statement of profit or loss. The listing expense is expected to account for 11.0% of gross proceeds from the Global Offering. Our Directors do not expect such expenses to materially impact our results of operations in 2022.

The following table sets forth the breakdown of listing expenses by nature.

Listing fee breakdown	Total Amount	
	(assuming the Over-allotment Option is not exercised) (HKD in millions)	(assuming the Over-allotment Option is fully exercised) (HKD in millions)
Underwriting fees	42.0	48.3
Non-underwriting fees	73.3	73.4
Professional fees	49.7	49.7
Non-professional fees	23.6	23.7

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

"affiliate"	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
"Articles of Association"	the articles of association of our Company, conditionally adopted on November 25, 2022 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"Board" or "Board of Directors"	the board of Directors of our Company
"Business day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"**CCASS EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares

	on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	A CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFDA"	the China Food and Drug Administration (國家食品藥品監督管理總局), which was integrated into SAMR pursuant to the Circular of the State Council on Establishment of Institutions (《國務院關於機構設置的通知》) issued by the State Council on March 22, 2018
"Chuxiong Weilong Foods"	Chuxiong Weilong Foods Co., Ltd. (楚雄衛龍食品有限公司), a company incorporated under the laws of the PRC on August 13, 2019 and a wholly-owned subsidiary of the Company
"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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	WEILONG Delicious Global Holdings Ltd (卫龙美味全球控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on July 6, 2018
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules, and unless the context otherwise requires, refers to Mr. Liu Weiping, Mr. Liu Fuping, HH Global Capital, Amused Town Limited, Decision Stone Limited, Adroit Fairy Limited, Beacon Flash Limited, HH Green Philosophy and HH Innovation Group

"CSRC"	China Securities Regulatory Commission（中國證券監督管理委員會）
"Delong Color Printing"	Luohe Delong Color Printing Development Co., Ltd. (漯河市德龍彩印發展有限公司), a company incorporated under the laws of the PRC on July 31, 2017 and held by Chengdu Xinghengtai Co., Ltd. (成都市興恆泰印務有限公司) (an Independent Third Party) and Mr. LIU Fuping as to 70% and 30% of its equity interests, respectively
"Director(s)"	director(s) of our Company
"Downward Offer Price Adjustment"	an adjustment that has the effect of setting the final Offer Price at up to 10% below the low end of the indicative Offer Price range
"EFeng Capital"	EFeng Capital Ltd (易豐資本有限公司), a company incorporated under the laws of the BVI on June 28, 2018 with limited liability and a wholly-owned subsidiary of the Company
"EFeng Investment Development"	EFeng Investment Development Limited (易豐投資發展有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time
"EIT Rules"	Implementation Rules of the EIT Law (中華人民共和國企業所得税法實施條例)
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by the Company

"Group" or "our Group" or "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"Hehe Foods"	Luohe Hehe Foods Technology Co., Ltd. (漯河和和食品科技有限責任公司), a company incorporated under the laws of the PRC on August 31, 2018 with limited liability and a wholly-owned subsidiary of the Company
"HH Global Capital"	HH Global Capital Ltd (和和全球資本有限公司), a company incorporated under the laws of the BVI on July 4, 2018 with limited liability and held by Amused Town Limited and Decision Stone Limited as to 95% and 5% of its equity interests, respectively
"HH Global Holdings"	HH Global Holdings Ltd (和和控股有限公司), a company incorporated under the laws of the BVI on July 9, 2018 with limited liability and a wholly-owned subsidiary of the Company
"HH Green Philosophy"	HH Green Philosophy Ltd (和和綠色理念有限公司), a company incorporated under the laws of the BVI on June 28, 2018 with limited liability and wholly owned by Mr. LIU Weiping
"HH Innovation Group"	HH Innovation Group Ltd (和和集團創新有限公司), a company incorporated under the laws of the BVI on June 28, 2018 with limited liability and wholly owned by Mr. LIU Fuping
"HH International Enterprise"	HH International Enterprise Limited (和和國際事業有限公司), a company incorporated under the laws of Hong Kong on July 19, 2020 with limited liability and a wholly-owned subsidiary of the Company
"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified in the **IPO App** and on the designated website at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Offer Shares"	the 9,639,800 Offer Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fees) on and subject to the terms and conditions described in this prospectus as further described in "Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 2, 2022 relating to the Hong Kong Public Offering and entered into by, among others, our Company, Mr. Liu Weiping, Mr. Liu Fuping, HH Global Capital, HH Green Philosophy, HH Innovation Group and the Hong Kong Underwriters, as further described in "Underwriting – Underwriting Arrangements and Expenses" in this prospectus
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules

"International Offer Shares"	the 86,757,200 Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares by the International Underwriters outside the United States in offshore transactions in accordance with Regulation S, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around December 8, 2022, by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting – International Offering" in this prospectus
"**IPO App**"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Joint Bookrunners"	UBS AG Hong Kong Branch, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, BNP Paribas Securities (Asia) Limited and Futu Securities International (Hong Kong) Limited
"Joint Global Coordinators"	UBS AG Hong Kong Branch, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited
"Joint Lead Managers"	UBS AG Hong Kong Branch, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, BNP Paribas Securities (Asia) Limited, Futu Securities International (Hong Kong) Limited and CCB International Capital Limited
"Joint Sponsors"	Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited and UBS Securities Hong Kong Limited

"Latest Practicable Date"	November 28, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Lewei Agricultural Foods Processing"	Luohe Lewei Agricultural Foods Processing Co., Ltd. (漯河樂味農產品加工有限公司) a company incorporated under the laws of the PRC on July 31, 2017 with limited liability and a wholly-owned subsidiary of the Company
"Lewei Seasoning Processing"	Luohe Lewei Seasoning Processing Co., Ltd. (漯河市樂味調味品加工有限公司), a company incorporated under the laws of the PRC on July 31, 2017 with limited liability and a wholly-owned subsidiary of the Company
"Listing"	listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around December 15, 2022, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Luliang Weilong Foods"	Weilong Foods (Luliang) Co., Ltd. (衛龍食品（陸良縣）有限公司), a company incorporated under the laws of the PRC on February 19, 2021 and a wholly-owned subsidiary of the Company
"Luohe Pingping Plant"	One of our production plants located in Luohe, Henan Province
"Luohe Weidao Plant"	One of our production plants located in Luohe, Henan Province
"Luohe Weilai Plant"	One of our production plants located in Luohe, Henan Province
"Luohe Xinglin Plant"	One of our production plants under construction in Luohe, Henan Province
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"March Pre-IPO Investors"	CPE, CWL Management XVIII Limited, Hillhouse, Tencent, Yunfeng Capital, Sequoia Capital China, Duckling Fund, L.P., Hosen Capital, and Oceanpine Capital

"Meiwei Foods Technology"	Luohe Weilong Meiwei Foods Technology Development Co., Ltd. (漯河衛龍美味食品科技發展有限責任公司), a company incorporated under the laws of the PRC on January 22, 2019 with limited liability and a wholly-owned subsidiary of the Company
"MEE"	the Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部)
"Memorandum" or "Memorandum of Associations"	The amended and restated memorandum of association of our Company, conditionally adopted on November 25, 2022 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"MEP"	the Ministry of Environment Protection of the PRC (中華人民共和國環境保護部), which no-longer retained since March 2018
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Nanning Weilai Commerce"	Nanning Weilai Commerce Co., Ltd. (南寧市衛來商貿有限公司), a company incorporated under the laws of the PRC on February 5, 2021 and a wholly-owned subsidiary of the Company
"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)
"NHFPC"	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生與計劃生育委員會), which no-longer retained since March 2018
"OEM"	original equipment manufacturer
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK$11.40 and expected to be not less than HK$10.40 (subject to any Downward Offer Price Adjustment), at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined in the manner further described in "Structure of the Global Offering – Pricing and Allocation" in this prospectus

"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 14,459,400 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Ping Ping Foods"	Luohe Ping Ping Foods Co., Ltd. (漯河市平平食品有限責任公司), a company incorporated under the laws of the PRC on September 9, 2004 with limited liability and a wholly-owned subsidiary of the Company
"PRC" or "China"	the People's Republic of China. For the purposes of this document only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"PRC GAAP"	PRC Generally Accepted Accounting Principles
"PRC Legal Advisors"	Commerce & Finance Law Offices, the PRC legal advisors of our Company
"Pre-IPO Investments"	the Pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed "History and Reorganization" in this prospectus
"Pre-IPO Investors"	CPE, CWL Management XVIII Limited, Hillhouse, Tencent, Yunfeng Capital, Sequoia Capital China, Duckling Fund, L.P., Hosen Capital, Oceanpine Capital and Shanghai Hongluo
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators and our Company on the Price Determination Date to record and fix the Offer Price

"Price Determination Date"	the date, expected to be on or around Thursday, December 8, 2022, (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators and our Company may agree, but in any event no later than Friday, December 9, 2022
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Qingdao Weilong Foods"	Qingdao Weilong Foods Co., Ltd. (青島衛龍食品有限公司), a company incorporated under the laws of the PRC on September 27, 2019 and a wholly-owned subsidiary of the Company
"Qorghas Liushi"	Qorghas Liushi Equity Investment LLP (霍爾果斯劉氏股權投資合夥企業（有限合夥）), a limited liability partnership incorporated under the laws of the PRC on February 28, 2017 and dissolved on April 6, 2021. Before dissolution, Qorghas Liushi was held by Mr. LIU Weiping, Mr. LIU Fuping and Shanghai Jiafeng as to 47.5%, 47.5% and 5% of its equity interests respectively
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the offshore and onshore reorganization as set out in section headed "History and Reorganization – Reorganization"
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	The RSU Scheme of our Company as approved on January 1, 2021, which was adopted by the Company to incentivize and reward our Directors, members of senior management and other employees who have contributed to the development of our Group, a summary of the principal terms of which is set out in "Statutory and General Information – D. Employee Incentive Scheme" in Appendix IV to this prospectus
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently known as SAMR

"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as SAIC
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SCNPC"	Standing Committee of the National People's Congress（全國人民代表大會常務委員會）
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Chunfu"	Shanghai Chunfu Industrial Co., Ltd. (上海純福實業有限責任公司), a company incorporated under the laws of the PRC on March 10, 2017 with limited liability and held by Mr. LIU Fuping and Ms. ZHAO Chunchun as to 95% and 5% of its equity interests, respectively
"Shanghai Digital Technology"	Shanghai Weilong Digital Technology Co., Ltd. (上海衛龍數字科技有限公司), a company incorporated under the laws of the PRC on May 26, 2021 and a wholly-owned subsidiary of the Company
"Shanghai Jiafeng"	Shanghai Jiafeng Industrial Co., Ltd. (上海市嘉烽實業有限責任公司), a company incorporated under the laws of the PRC on April 18, 2017 with limited liability and held by Weini Chunzai and Shanghai Chunfu as to 51% and 49% of its equity interests, respectively
"Shanghai Weidao Trade"	Shanghai Weidao Trade Co., Ltd. (上海衛到貿易有限責任公司), a company incorporated under the laws of the PRC on December 20, 2021 with limited liability and a wholly-owned subsidiary of the Company
"Shanghai Weilong Biotechnology"	Shanghai Weilong Meiwei Biotechnology Co., Ltd. (上海衛龍美味生物科技有限公司), a company incorporated under the laws of the PRC on May 18, 2020 and a wholly-owned subsidiary of the Company
"Shanghai Weilong Information Technology"	Shanghai Weilong Information Technology Co., Ltd. (上海衛龍信息技術有限公司), a company incorporated under the laws of the PRC on January 22, 2021 and a wholly-owned subsidiary of the Company

"Shanghai Weilong International Commerce"	Shanghai Weilong Meiwei International Commerce Co., Ltd. (上海衛龍美味國際商貿有限責任公司), a company incorporated under the laws of the PRC on May 18, 2020 and a wholly-owned subsidiary of the Company
"Share(s)"	ordinary shares in the share capital of our Company with a par value of US$0.00001 per Share
"Shareholder(s)"	holder(s) of our Shares
"Stabilizing Manager"	Morgan Stanley Asia Limited
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into by, among others, HH Global Capital and the Stabilizing Manager, pursuant to which the Stabilizing Manager may borrow up to an aggregate of 14,459,400 Shares to cover any over-allocations in the International Offering
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Track Record Period"	the three years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Weidao Foods"	Luohe Weidao Foods Technology Co., Ltd. (漯河衛到食品科技有限公司), a company incorporated under the laws of the PRC on July 11, 2018 with limited liability and a wholly-owned subsidiary of the Company

"Weilai Foods"	Luohe Weilai Foods Technology Co., Ltd. (漯河衛來食品科技有限公司), a company incorporated under the laws of the PRC on November 11, 2013 and a wholly-owned subsidiary of the Company
"Weilong Biotechnology"	Luohe Weilong Biotechnology Co., Ltd. (漯河市衛龍生物技術有限公司), a company incorporated under the laws of the PRC on June 12, 2020 with limited liability and a wholly-owned subsidiary of the Company
"Weilong Commerce"	Luohe Weilong Commerce Co., Ltd. (漯河市衛龍商貿有限公司), a company incorporated under the laws of the PRC on July 11, 2014 with limited liability and a wholly-owned subsidiary of the Company
"Weini Chunzai"	Weini Chunzai (Shanghai) Industrial Co., Ltd. (衛你淳在（上海）實業有限公司), a company incorporated under the laws of the PRC on March 15, 2017 with limited liability and held by Mr. LIU Weiping and Ms. JIANG Chun as to 95% and 5% of its equity interests, respectively
"Withdrawal Mechanism"	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (e.g., the Offer Price) in the prospectus; (b) extend the offer period and allow potential investors, if they so desire, to confirm their applications using an opt-in approach (i.e., requiring investors to positively confirm their applications for shares despite the changes)
"Xinglin Foods"	Luohe Xinglin Foods Co., Ltd. (漯河杏林食品有限公司), a company incorporated under the laws of the PRC on December 25, 2019 with limited liability and a wholly-owned subsidiary of the Company
"Xinyi Weidao"	Xinyi Weidao Commerce Co., Ltd. (新沂衛到商貿有限公司), a company incorporated under the laws of the PRC on May 27, 2021 and a wholly-owned subsidiary of the Company
"Yunnan Qujing Plant"	Our production plant under land planning in Qujing, Yunnan Province
"Zhumadian Ping Ping"	Zhumadian Ping Ping Foods Co., Ltd. (駐馬店市平平食品有限公司), a company incorporated under the laws of the PRC on February 12, 2007 with limited liability and held by Mr. LIU

	Weiping and Mr. LIU Fuping as to 60% and 40% of its equity interest, respectively
"Zhumadian Weilai Foods"	Zhumadian Weilai Foods Co., Ltd. (駐馬店衛來食品有限公司), a company incorporated under the laws of the PRC on July 20, 2017 and a wholly-owned subsidiary of the Company
"Zhumadian Weilai Plant"	Our production plant located in Zhumadian, Henan Province

In this prospectus, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus 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 prospectus 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 prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"CAGR"	compound annual growth rate
"Central China"	Hubei province, Henan province and Shandong province for purposes of this prospectus
"COVID-19"	the contagious respiratory illness caused by a newly identified coronavirus
"Eastern China"	Anhui province, Jiangsu province, Zhejiang province and Shanghai for purposes of this prospectus
"ERP systems"	enterprise resource planning systems, which is a business process management system consisting of integrated software applications that help manage a business and automate many back office functions related to technology, service and human resources
"FSSC 22000"	Food Safety System Certification, a food safety management certification scheme that consists of three components: ISO 22000, sector specific Pre-Requisite Programs and additional requirements. Besides these three components there is a FSSC 22000-Quality option based on the additional requirements of ISO 9001
"g"	gram
"Generation Z"	the population of youngsters born during the period from 1996 to 2009
"HACCP"	a quality management system which identifies and evaluates points during production in order to set up measures and control hazards to ensure product safety
"ISO"	an International Organization for Standardization, a nongovernmental organization based in Geneva, Switzerland, for assessing the quality system of business organizations
"Latiao"	a type of seasoned flour product, which is a popular spicy snack food in China made from wheat flour and chili

"lower-tier cities"	all other regions in Mainland China except Tier 1 cities and Tier 2 cities
"millennials"	the population of youngsters born during the period from 1981 to 1995
"MSG"	monosodium glutamate
"non-professional fees"	other non-underwriting fees that are not professional fees
"Northern China"	Beijing, Hebei province, Heilongjiang province, Jilin province, Liaoning province, Shanxi province and Tianjin for purposes of this prospectus
"Northwestern China"	Gansu province, Inner Mongolia, Ningxia Hui autonomous region, Qinghai province, Shaanxi province, Sichuan province, Tibet, and Xinjiang Uygur Autonomous Region for purposes of this prospectus
"PE"	polyethylene
"PET"	polyethylene terephthalate
"professional fees"	non-underwriting fees that are related to the proposed offering charged by legal advisor(s) and accountant(s)
"PV"	of a method converting solar energy into direct current electricity using semiconducting materials that exhibit the photovoltaic effect, a phenomenon commonly studied in physics, photochemistry and electrochemistry
"retail sales value"	a value which is calculated by sales volume multiplied by manufacturer's suggested retail price
"SKU"	acronym for minimum stock keeping unit, with a unique identifier for each distinct product and service that can be purchased
"Southern China"	Fujian province, Guangdong province, Hainan province and Jiangxi province for purposes of this prospectus
"Southwestern China"	Guangxi Zhuang autonomous region, Guizhou province, Hunan province, Yunnan province and Chongqing for purposes of this prospectus

"TBHQ"	tertiary butylhydroquinone
"Tier 1 cities"	Beijing, Shanghai, Guangzhou and Shenzhen
"Tier 2 cities"	Tianjin, Chongqing and all provincial capitals except Guangzhou
"ton" or "tons"	metric ton or metric tons, 1,000 kilograms equals to 1 ton

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, 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 other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC 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; and
- various business opportunities that we may pursue.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this prospectus. 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 prospectus. 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 prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to our Shares. Any of the following risks may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of our Shares and cause you to lose part or all of the value of your investment in our Shares.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

Our business relies on consumer demand for our products, which depends substantially on factors such as (i) economic growth and increasing disposable income; (ii) diversified consumption scenarios and increasing consumption frequency; (iii) continuous upgrade of existing products and introduction of new products; and (iv) increasing development and improvement of sales channels. See "Industry Overview – Market Drivers and Future Trends." Driven by such factors, the demand for spicy snack food has been growing continuously. Changes in any of the above at any time could result in decline in consumer demand for our products. Our business development will depend partially on our ability to (i) anticipate, identify or adapt to such changes, (ii) introduce new attractive products and marketing strategies in a timely manner, and (iii) develop an effective sales and distribution network accordingly.

Although we dedicate substantial resources to consumer-centric market research and data analysis to upgrade our existing products and to develop, design and launch new products, in order to cater to consumer preferences, we cannot assure you that our product portfolio will continuously lead or capture the market trends. Any changes in consumer preferences and tastes, or any of our failure to anticipate, identify or adapt to market trends, may impose downward pressure on sales and pricing of our products or lead to increases in selling and distribution expenses, and therefore materially and adversely affect our business and results of operations.

In order to promptly respond to rapidly developing market trends and changing tastes, preferences and lifestyle of consumers, our sales and development teams regularly observe the changing trends in our target markets and launch new products or different serving sizes and flavors from time to time. While we have in the past successfully developed, promoted and achieved market acceptance of our products, we cannot assure you that we will be able to continuously develop new products or our existing or new products in the future will continue to generate sufficient consumer demand to be profitable.

Our business depends on market recognition of our brand. Any damage to our brand, trademarks or reputation, or failure to effectively promote our brand, could materially and adversely impact our business and results of operations.

Brand image is a key factor in consumer purchase decisions. We believe our success depends substantially on the popularity of our brand and our reputation for spicy snack food that appeals to Chinese consumers. Therefore, maintaining and enhancing the recognition and image of our brand are critical to our ability to

differentiate our products and to compete effectively. Any complaint, claim or negative publicity against us or our products, even if meritless or immaterial to our operations, could damage our brand and reputation. Any actual or perceived food safety concerns, contamination, spoilage or other product misbranding or tampering may lead to the erosion of our brand and damage to our brand value. Furthermore, our brand also depends on our ability to respond to competitive pressures effectively. If we fail to do so, the value of our brand or reputation may be diminished and our business and results of operations may be materially and adversely affected.

Any failure to maintain food safety and consistent quality could have a material and adverse effect on our brand, business and financial performance.

Food safety and quality are critical to our reputation and success. Maintaining consistent quality and food safety depends significantly on the effectiveness of our quality assurance systems, which in turn depends on a number of factors, including the design of our quality assurance systems and our ability to ensure that our employees and other third parties involved in our operations adhere to those quality assurance policies and guidelines. There is no assurance that our quality assurance systems would be effective at all times, or that we can identify any defects in our quality assurance systems in a timely manner. We face an inherent risk of food contamination and liability claims. Any food contamination that we fail to detect or prevent could adversely affect the quality of the products sold, which could lead to liability claims, reduced customer satisfaction and the imposition of penalties or fines by relevant authorities.

We may be required to negotiate with, or institute litigation when negotiation fails, against our suppliers for the losses arising out of contaminated raw materials. Such litigation could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects. The compensation clauses in the supply contract may not be adequate enough to remedy our damages. Even if any such litigation is resolved in our favor, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate us for our actual or anticipated related losses, whether tangible or intangible.

We rely on third-party distributors to place our products into the market and we may not be able to control our distributors and their sub-distributors.

We rely on third-party distributors to sell our products. As of June 30, 2022, our distribution and sales network, which deeply penetrates the Chinese market, consisted of more than 1,830 offline distributors. Purchases by distributors accounted for the substantial majority of our sales. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our sales to offline distributors accounted for 92.6%, 90.7%, 88.5%, 88.3% and 89.4% of our revenue, respectively, while our sales to online distributors accounted for 4.2%, 5.6%, 6.3%, 6.7% and 5.2% of our revenue, respectively. As we mainly sell and distribute our products through distributors, any one of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- reduction, delay or cancelation of orders from one or more of our distributors;
- selection or increased sales by our distributors of our competitors' products;

- failure to renew distribution agreements and maintain relationships with our existing distributors;
- failure to establish relationships with new distributors on favorable terms; and
- inability to timely identify and appoint additional or replacement distributors upon the loss of one or more of our distributors.

We may not be able to compete successfully against larger and better-funded sales and marketing campaigns of some of our current or future competitors, especially if these competitors provide their distributors with more favorable arrangements. We cannot assure you that we will not lose any of our distributors to our competitors, which could cause us to lose some or all of our favorable arrangements with such distributors and may result in the termination of our relationships with other distributors. In addition, we may not be able to successfully manage our distributors and the cost of any consolidation or further expansion of our distribution and sales network may exceed the revenue generated from these efforts. There can be no assurance that we will be successful in detecting any non-compliance by our distributors with the provisions of their distribution agreements. Non-compliance by our distributors could, among other things, negatively affect our brand, demand for our products and our relationships with other distributors. Furthermore, if the sales volume of our products to consumers is not maintained at a satisfactory level or if distributor orders fail to track consumers demand, our distributors may not place orders for new products from us, or decrease the quantity of their usual orders. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial condition and results of operations.

During the Track Record Period, in some cases, when our distributors cannot directly cover the remote or unfamiliar markets in their designated areas, some of our distributors may further sell our products to sub-distributors. In general, we do not enter into contracts with such sub-distributors, thus having no control over sales activities of such sub-distributors. See "Business – Our Sales Channels – Offline Channels." We cannot assure you that the sub-distributors will at all times comply with our sales policies or that they will not compete with each other for market share in respect of our products. If any of the sub-distributors fail to distribute our products to their customers in a timely manner, overstock, or carry out actions which are inconsistent with our business strategy, it may affect our future sales. This may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Adverse publicity involving us, our products, our raw materials, our Directors, our management team, our spokespersons, our competitors or our industry could materially and adversely impact our business and results of operations.

The food industry in China as a whole is particularly sensitive to concerns over food safety and quality related issues and can be materially and adversely affected by negative publicity or news reports, whether accurate or not, regarding food safety and quality and public health concerns. Any such negative publicity on our industry, whether targeting us in particular or not, could materially harm our brand, business and results of operations. Due to our leading position in the industry, we may become the target of public scrutiny and thus incur significant costs to respond to such negative publicity. Such discrepancies led to the incident that some batches of our *Latiao* products were declared by the food and drug administration agencies of certain provinces as being inconsistent with relevant standards. In 2019, relevant national-level regulators provided clear guidance

for the classification of *Latiao* as seasoned flour product, led to a more clear and more unified standard applicable to *Latiao* across different provinces for us to comply with, and reducing the likelihood of the re-occurrence of similar incident in the future. See "– Risks relating to Doing Business in China – Any major changes in relation to food safety regulations and relevant policies may affect our business." As of the Latest Practicable Date, we had not received any administrative penalties as a result of such incident. In 2019, China Central Television, in its annual "3.15" investigation program, revealed certain sanitary issues in the production process by some small-scale producers of seasoned flour products, which raised public concerns over food safety issue in the spicy snack food industry. Complaints or claims against us, if any, even if without any sufficient evidence, could force us to divert our resources, which may adversely affect our business, operations and financial performance.

We have spent significant marketing expenses to promote our brand, including the engagement of internet celebrities. If there is any decline in popularity, or negative news on our spokespersons, our brand image may be tarnished and our sales and results of operations may be adversely affected.

The outbreak of COVID-19 adversely affected, and may continue to affect, the demand for our products, our business operations and financial conditions.

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. During the COVID-19 outbreak, the Chinese government implemented strict measures to control the outbreak in China, including school and business closures, restrictions on mobility and workplace shutdowns. Consumer demand was significantly affected by the outbreak and the government's relevant control measures.

During the COVID-19 outbreak, the sales of our products decreased compared with that during the same period in 2019. In addition, business operation of our production plants was temporarily suspended after the Chinese New Year in 2020. By the end of March 2020, our production had substantially returned to the normal level. The COVID-19 outbreak also affected our third-party logistics suppliers. By the end of April 2020, all of our third-party logistics suppliers resumed work. Our revenue decreased in the three months ended March 31, 2020, compared to that in the same periods in 2019. Since the start of 2021 and 2022, there have been re-occurrence of COVID-19 cases in certain cities of China, in response to which, the government has taken further measures and actions in such areas, where our procurement, production, logistics and sales activities as well as our distributors' sales network were affected from time to time. The extent to which COVID-19 will impact our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the scope and duration of restricted measures to contain COVID-19 or treat its impact, evolvement of variants of the virus and effectiveness of the vaccines, among others. If the COVID-19 situation in China deteriorates, it may affect the sales of our products and the supply of raw materials and production equipment. We cannot assure you that the outbreak will not persist, or that there will not be similar events in the future. If the COVID-19 outbreak continues, our business, results of operations and financial condition will continue to be adversely affected. See "Financial Information – Impacts of the COVID-19 Outbreak."

We operate in a highly competitive industry. Failure to compete effectively could adversely affect our market share, growth and profitability.

We operate in China's snack food industry, in particular the spicy snack food industry, which is highly competitive, and the competition may further intensify. Some of our competitors, may have been in their respective businesses longer than we have and may have substantially greater financial, research and development and other resources than us. We also cannot assure you that our current or potential competitors will not market products comparable or superior to those we provide or adapt more quickly to evolving industry trends or changing market demand. Our competitors in certain regional markets may also benefit from raw material sources or production facilities that are closer to these markets. It is also possible that there will be a consolidation trend in the spicy snack food industry, integration of upstream and downstream businesses or alliances among competitors; and as a result, our competitors may rapidly acquire significant market share. Any of these events may cause our market share, business and results of operations to be adversely affected.

Furthermore, competition may cause our competitors to substantially increase their advertising and promotional activities or to engage in irrational or predatory pricing behavior. We cannot guarantee that our marketing efforts will be sufficient to compete with our competitors. An increase in competition could require us to continue to increase our promotion and advertising expenses, which might place pressure on our margins and affect our profitability. Additionally, competition may result in price reductions, reduced margins and loss of market shares for us, any of which could have an adverse impact on our results of operations. We also cannot assure you that our competitors will not actively engage in activities, whether legal or illegal, designed to undermine our brands and product quality or to influence consumer confidence in our products.

The spicy snack food industry is intensely competitive with respect to, among other things, brand recognition, flavor, product quality and consistency, services, prices, availability, selection and accessibility of store locations. Our competitors include a variety of independent local operators, in addition to regional and national spicy snack food manufacturers. Furthermore, new competitors may emerge from time to time, which may further intensify the competition. In particular, competitors may start to offer food products that are similar to our products. There are also many well-established competitors with substantially greater financial, marketing, personnel and other resources than ours. Furthermore, our ability to maintain our leadership is subject to the entry of new competitors. For more information related to the competitive landscape of our industry, see "Industry Overview – Entry barriers".

Our ability to effectively compete will depend on various factors, including the successful implementation of our sales and distribution network expansion strategy, and our ability to improve existing products, to develop and launch new products, and to enhance production capacity and efficiency. Failure to successfully compete may prevent us from increasing or sustaining our revenue and profitability and potentially lead to a loss of market share, which could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

Our historical financial conditions and results of operations are not representative of our future performance. We may be unable to effectively manage our future growth and expansion, and may not achieve growth in revenue and profit. If we are unable to manage our growth effectively, we may not be able to capitalize on new business opportunities and our business and financial results may be materially and adversely affected.

We experienced rapid expansion during the Track Record Period and plan to further expand in the future. Our total revenue increased by 21.7% from RMB3,384.8 million in 2019 to RMB4,120.4 million in 2020 and further increased by 16.5% to RMB4,800.2 million in 2021, and slightly decreased by 1.8% from RMB2,302.8 million in the six months ended June 30, 2021 to RMB2,260.5 million in the six months ended June 30, 2022. Our planned expansion may place substantial demands on our resources.

Our ability to further increase our production capacity is critical to supporting our stable and continuous business growth, which involves additional costs and uncertainties. In addition, to manage and support our growth, we must improve our existing operational and administrative systems as well as our financial and management controls. Our continued success also depends on our ability to recruit, train and retain qualified management personnel as well as other administrative and sales and marketing personnel, particularly when we expand into new markets. We also need to continue to manage our relationships with our suppliers and customers. All of these endeavors will require substantial management resources. As a result, our revenue and results of operations in future may fluctuate significantly and our results for a given fiscal period during the Track Record Period are not necessarily indicative of results to be expected for our operations in future. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business and financial performance.

Furthermore, we may not be able to achieve our expansion goals or effectively ramp up the sales of our new products. If we encounter any difficulty in expanding our distribution network, our growth prospects may be adversely affected, which could in turn have a material and adverse effect on our business, financial condition and results of operations.

Our future growth may result from establishing new production facilities, expanding our production capacity, introducing new products, expanding our sales and distribution network and entering new markets or new sales channels. Our ability to achieve growth will be subject to a range of factors, including:

- expanding our sales and distribution network;
- enhancing our research and development capabilities;
- hiring and training qualified personnel;
- controlling our costs and maintaining sufficient liquidity;
- prioritizing our financial and management controls in an efficient and effective manner;

- exercising effective quality control;
- managing our various suppliers and leveraging our purchasing power;
- maintaining our high food-safety standards; and
- strengthening our existing relationships with distributors.

We face increased risks when we enter new markets, either within China or overseas, or enter new sales channels, including social media and e-commerce channels. New markets and sales channels may have different regulatory requirements, competitive conditions, consumer preferences and different spending patterns from our existing markets and sales channels. Consumers in new markets and sales channels are likely to be unfamiliar with our brands and products and we may need to build or increase brand awareness in the relevant markets and sales channels by increasing investments in advertising and promotional activities than we originally planned. We may find it more difficult in new markets to hire, train and retain qualified employees who share our business philosophy and culture. In addition, we may have difficulty in finding reliable suppliers with adequate supplies of raw materials meeting our quality standards or distributors with efficient distribution networks. As a result, any products we introduce in new markets may be more expensive to produce and/or distribute and may take longer to reach expected sales and profit levels than in our existing markets, which could affect the viabilities of these new operations or our overall profitability.

We also sell our products to major e-commerce platforms and online distributors. Our development of the e-commerce channel depends on many factors, most of which are beyond our control, including: the trust and confidence level of China's online consumers, as well as changes in consumer consumption patterns, tastes and preferences; the growth of Internet usage in China; and the development of fulfillment, payment and other ancillary services associated with e-commerce sales. Any failure to respond to trends and consumer requirements in the e-commerce channel may adversely affect our sales and our business and growth prospects in this sales channel.

Additionally, our expansion plans and business growth could strain our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, procedures and controls will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may adversely affect our growth prospects. In addition, as we expand our operations, we may encounter regulatory, personnel and other difficulties that may also increase our costs of operations.

We depend on a stable and adequate supply of raw materials which are subject to price volatility and other risks. Inadequate or interrupted supply and price fluctuation for our raw materials and packaging materials could adversely affect our profitability.

The primary raw materials that we use in the production of our products are soybean oil, flour and konjac, among others. Seasoning and other auxiliary materials such as chili and pricklyash are also used in our

production process. During the Track Record Period, our raw material costs amounted to RMB1,009.0 million, RMB1,145.4 million, RMB1,429.4 million, RMB697.7 million and RMB693.7 million, respectively, in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, accounting for approximately 29.8%, 27.8%, 29.8%, 30.2% and 30.7%, respectively, of total revenue over the same periods. The main packaging materials for our products include cardboard boxes and packaging bags, among others. During the Track Record Period, our packaging material costs amounted to RMB496.8 million, RMB557.5 million, RMB673.9 million, RMB324.1 million and RMB291.2 million, in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, accounting for approximately 14.7%, 13.5%, 14.0%, 14.1% and 12.9%, respectively, of total revenue over the same periods. As a result, our production volume and production costs depend on our ability to source key raw materials at competitive prices. The raw materials and packaging materials we use are subject to price volatility caused by external factors, such as commodity price fluctuations, changes in supply and demand, logistics and processing costs, our bargaining power with suppliers, inflation, and governmental regulations and policies. See "Industry Overview – Raw Materials". We generally do not enter into long-term supply agreements with fixed price arrangements. If we are unable to obtain raw materials in the quantities, of a quality or at a price that we require, our production volume, quality of products and profit margins may be adversely affected.

Our raw material costs generally increased during the Track Record Period primarily due to the increase in purchased volume, which was in line with the growth of our business operations. The increase was also attributable to an overall price increase of our raw materials during such period. There is no assurance that our raw material costs will not increase significantly in the future. As is customary in our industry, we typically are not able to immediately pass raw material price increases onto our customers. As a result, any significant price increase of our raw materials may have an adverse effect on our profitability and results of operations. Also, if we were to increase price, we may not be able to completely pass on the increase in raw materials to consumers. Also, such an increase in price may adversely affect our demand.

If all or a significant number of our suppliers for any particular raw material or packaging material are unable or unwilling to meet our requirements, we could suffer shortages or significant cost increases. Our raw material and packaging material suppliers could fail to meet our needs for various reasons, including fires, natural disasters, weather, manufacturing problems, epidemic, crop failure, strikes, transportation interruptions, or government regulation. A failure of supply could also occur due to suppliers' financial difficulties, including bankruptcy. Changing raw material or packaging material suppliers may require long lead time. We may not be able to locate alternative suppliers in sufficient quantities, of suitable quality, or at an acceptable price. Continued supply disruptions could exert pressure on our costs, and we cannot assure you that all or part of any increased costs can be passed along to our customers in a timely manner or at all, which could negatively affect our business, overall profitability and financial performance.

The development of online sales and distribution network and marketing activities may not meet expectations, or we may fail to manage the coordination of our offline and online sales channels, which may adversely affect our operation results.

Our revenue generated by online sales channels had been growing significantly due to the increasing sales online. However, as online and social media platforms continue to grow in popularity, any significant growth in our sales through online sales channels in the future may give rise to competition between offline and online sale

channels. If we fail to balance the marketing efforts or optimize product mix and pricing strategies among our online and offline sales channels, or otherwise fail to effectively manage the integration of these channels, the competition among these channels may adversely affect our business, financial condition and results of operations.

We expect to further enhance our online strategies and increase sales from our online channels. However, we may not be able to maintain a high growth rate of our online sales, and if we fail to manage the continuous development of our online sales, our business, financial condition and results of operations may be adversely affected.

Failure to manage our distributorship sales channel may give rise to potential cannibalization in the future and adversely affect our business. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our sales to offline distributors constituted 92.6%, 90.7%, 88.5%, 88.3% and 89.4% of our revenue, respectively, while sales through our online distribution model accounted for 4.2%, 5.6%, 6.3%, 6.7% and 5.2% of our revenue, respectively. Our offline and online distributors complement each other to enables us to broaden our distribution network. In addition, in order to minimize direct competition between our distributors, we have implemented relevant policies to minimize risk of cannibalization. See "Business – Our Sales Channels". However, any significant growth in our sales to certain distributors in the future, or changes to our distribution network, may give rise to competition among our distributors and increase the risk of cannibalization. If we fail to effectively manage our distribution network, the competition among the distributors may adversely affect our business, financial condition and results of operations.

Our online sales depend on the proper operation of third-party online platforms and any serious interruptions of these platforms could adversely affect our operations.

The development of sales through third-party online platforms is part of our business strategy. We have launched profile pages and a sales channel on our third-party online platforms. However, we do not have control over the operation of third-party online platforms and such platform may be vulnerable to damage or interruptions such as power failure, computer viruses, acts of hacking, vandalism and similar events. Any serious interruption or damage to the online platforms may have an adverse effect on our business, financial condition and results of operations. There is no assurance that our online sales strategy will be implemented in accordance with our plan or at all.

Our operating results depend on the effectiveness of our marketing and promotional programs. Improper marketing activities may adversely affect our brand image.

Our operating results are dependent on our brand marketing efforts and advertising activities. We continuously invest in our brands to further raise brand recognition and acceptance and engage in marketing campaigns to promote our products. We utilize tailored and creative branding and marketing strategies, which have achieved positive results. We expect to continue to adopt such strategies in the future. We incurred promotion and advertising expenses of RMB30.8 million, RMB46.7 million, RMB78.7 million, RMB34.7 million and RMB36.9 million, respectively, in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022. However, if our marketing and advertising programs do not continue to be successful, our business and operating results may be materially and adversely affected. In addition, we believe marketing trends in China are evolving, which requires us to experiment with new marketing strategies to keep pace with industry

developments and consumer preferences. Moreover, as we continue to build up our online platform, we expect our marketing expenses relating to cooperation with online channels to continue to increase.

China's ageing population may have an adverse effect on our business and results of operations.

As Generation Z and the millennials are major consumption force and are our major groups of consumers, the ageing population in China may hinder the growth of our business in the long run, as the demand for our spicy snack may gradually decrease due to the drop of birth rate. As such, a decrease in demand from young children and teenagers together with an ageing population which may grow out of interest in snacks may result in a decline in the demand of our products. Currently, the market of snack foods in China still shows great potential, and we are continuously expanding our product categories to attract consumers with different demographic characteristics and taste preference. However, we cannot assure you that the size of snack food market in China will not decrease in the future, which may have an adverse effect on our business, results of operations and financial condition.

Counterfeit products may significantly harm our reputation and brand image and divert potential customers.

Our established brand recognition has attracted imitators who imitate our products and brands without our authorization. Counterfeit products may divert our existing and potential customers. Any unauthorized use of our trademarks and imitation of our products could adversely affect our brand name and reputation, thereby causing a decline in our financial performance, reduction in our market share as well as an increase in the amount of resources we need to devote to detection and prosecution of unauthorized use of our trademarks or imitation of our products. We have adopted certain measures to crack down on counterfeit products. However, we cannot assure you that any of our measures will provide effective prevention for unauthorized third-party use of our trademarks or imitation of our products which could adversely affect our reputation, results of operations and financial condition.

We face risks related to instances of food-borne illnesses, health epidemics, natural disasters and other catastrophic events. The outbreak of any severe contagious diseases, if uncontrolled, could adversely affect our business and results of operation.

Our business is susceptible to food-borne illnesses, health epidemics and other outbreaks. We cannot guarantee that our internal controls and trainings will be fully effective in preventing all food-borne illnesses. Furthermore, we rely on third-party raw material suppliers in our operations, which may increase such risk. New illnesses resistant to any precautions or diseases with long incubation periods could arise on a retroactive basis. Reports in the media of instances of food-borne illnesses could, if highly publicized, negatively affect our industry and us. This risk exists even if it were later determined that the illness in fact were not spread by our products.

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. An outbreak of any epidemics or pandemics in China may adversely affect the local economy and willingness to spend in local areas and result in a decrease in the number of our customers in such areas. Any of the above may

cause material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations. See "– The outbreak of COVID-19 adversely affected, and may continue to affect, the demand for our products, our business operations and financial conditions." Our operations are also vulnerable to natural disasters and other catastrophic events, including wars, terrorist attacks, earthquakes, typhoons, fires, floods, extreme high temperature events, power failures and shortages, water shortages, information system failures, and similar events that may or may not be foreseeable.

Our business could be materially and adversely affected by the outbreaks of contagious diseases such as Severe Acute Respiratory Syndrome, or SARS, influenza A (including H1N1, H7N9 and H10N8), Ebola and COVID-19 that spread across China and the world in recent years. In the future, if a contagious disaster occurs in the regions where we operate, our operations may be materially and adversely affected as a result of loss of personnel, damages to property or decreased demand for our products.

In addition, if any of our employees is infected or affected by any severe infections diseases, it could adversely affect or disrupt our production at the relevant production facility and adversely affect our business operations as we may be required to close our production facilities to prevent the spread of the disease. If any of such diseases occur, our ability to operate our facilities may be restricted and we may have to incur substantial additional expenses for the well-being of our employees. The spread of any severe infections disease in China may also affect the operations of our suppliers, distributors and customers, causing delivery disruptions, which could in turn adversely affect our operating results.

We require various approvals, licenses and permits to operate our business and any failure to obtain or renew any of these approvals, licenses and permits could materially and adversely affect our business and results of operations.

In accordance with the laws and regulations of China, we are required to maintain various approvals, licenses and permits in order to operate our business in China. In addition to business licenses, our processing facilities are required to obtain food production licenses. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations including Food Safety Law of the PRC (中華人民共和國食品安全法) and Implementing Rules on the Food Safety Law (中華人民共和國食品安全法實施條例). Although we have obtained necessary approvals, licenses and permits to operate our business as detailed in "Business", these approvals, licenses and permits are still subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business and financial performance.

We may experience difficulties, delays or failures in obtaining the necessary approvals, licenses and permits for our new processing facilities. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licenses and permits required for our existing business operations in a timely manner or at all. If we fail to obtain and/or maintain required approvals, licenses or permits, our ongoing business could be interrupted and our expansion plan may be delayed.

Business interruptions at our current processing facilities due to any downtime for maintenance and repair of equipment or the delay of the construction of our new processing facilities could adversely and materially affect our business. Our operations may be interrupted by production difficulties due to mechanical failures, utility shortages or outage, fire, acts of God or other calamities at or near our production plants or the sites of our major suppliers.

Our production process utilizes automated machinery and equipment to optimize production flow and enhance the efficiency of our workforce. Any significant downtime associated with the maintenance and repair of machinery and equipment used in our processing facilities will result in temporary interruption of our production. Although we have an in-house maintenance and repair team for our machinery and equipment, the failure of equipment manufacturers or our team to conduct timely repairs on our machinery and equipment could interrupt the operation of our processing facilities for extended periods of time. Any extended downtime could result in a loss of production and therefore adversely affect our sales. In addition, we may encounter shortages or temporary suspension of supplies of electricity or water due to local governments' policies and control measures. Although we typically have our own backup power and water supplies which are able to support our production for twenty-four hours, any extended suspension may cause an interruption to our operations and result in a loss of sales. As a result, our business and results of operations would be adversely affected.

Furthermore, our production and operations depend on a continuous and adequate supply of utilities, such as electricity, water and gas. If there are any shortages of power, water, gas or other utilities, the local authorities may require our production plants to be shut down periodically. Any disruption in the supply of electricity, water, gas or other utilities at our production plants may disrupt our production. This may adversely affect our ability to fulfill our sales orders and consequently may have an adverse effect on our business, results of operations and financial condition.

In addition, our production plants and operations are subject to various risks. Fire, earthquakes, natural disasters, pandemic or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms, causing power outages, gas or water shortages, damage to our production and processing facilities or disruption of transportation channels, among other events, may interfere with our operations. Since mid-July 2021, China's Henan province has been affected by severe flooding, caused by a period of prolonged heavy rainfall. The floods affected our logistics arrangements in Henan province in July 2021. From mid-July 2021, local authorities in some cities implemented power rationing for certain industries, which affected the operation of our production plants. Such power rationing policies also caused some disruption to the production activities of our suppliers, resulting in delays in delivery of raw materials and packaging materials. We cannot assure that we will be able to take adequate steps to mitigate the potential impact of such unforeseeable events, or to effectively respond to them, which may adversely affect our business, results of operations and financial condition.

Moreover, our ability to expand our production capacity is critical to our success. During the Track Record Period, we built new production facilities and expanded our production lines depending on market demand. We plan to further expand our production facilities depending on market demand. We cannot guarantee that the construction of the new processing facilities will be completed in a timely manner, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business and financial performance.

We rely on third-party logistics companies to deliver our products. Any delivery delay, improper handling of goods or increase in transportation costs of our logistic service providers could adversely affect our business and results of operations. If the third-party logistics business is interrupted, we may not have sufficient resources to support our product transportation and face the risk of rising transportation prices.

We engage logistics service providers to store and transport products to our customers. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our transportation expenses were RMB127.3 million, RMB149.4 million, RMB170.7 million, RMB82.5 million and RMB76.4 million, respectively, which represented 3.8%, 3.6%, 3.6%, 3.6% and 3.4% of our total revenue, respectively. The vast majority of our products are delivered by trucks or trains. The services provided by our logistics service providers may be suspended or canceled due to unforeseen events, which could cause interruption to the sales or delivery of our products. In addition, delivery delays may occur for various reasons beyond our control, including improper handling by our logistics service providers, labor disputes or strikes, acts of war or terrorism, outbreaks of epidemics, earthquakes and other natural disasters. For example, we experienced some delay in the transportation of our products due to logistics constraints during the COVID-19 outbreak. See "Financial Information – Impacts of the COVID-19 Outbreak".

During the Track Record Period and as of the Latest Practicable Date, the majority of our product transportation was provided by independent third-party logistics service providers. Disputes with or a termination of our contractual relationships with one or more of our logistics companies could result in delayed delivery of products or increased costs. There can be no assurance that we can continue or extend relationships with our current logistics companies on terms acceptable to us, or that we will be able to establish relationships with new logistics companies or expand our logistics team to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics companies or expand our logistics team to cover new territories, it may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our customers. In addition, as we do not have any direct control over these logistics companies, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products or any other issue, our sales and brand image may be affected.

Any improper handling of our products by the logistics service providers could also result in product contamination or damage, which may in turn lead to product recalls, product liabilities, increased costs and damage to our reputation, which may in turn adversely affect our business, financial condition and results of operations.

The storage and transportation costs of our logistics service providers are subject to factors beyond our control, such as the fluctuation in the gasoline price, increases in road tolls and bridge tolls, and changes in transportation regulations. Any increase in the service costs of our logistics service providers may lead to an increase to our logistic expenses, which may in turn negatively affect our results of operations.

We may face the risk of inventory obsolescence.

As of December 31, 2019, 2020, 2021 and June 30, 2022, we had inventories of RMB399.9 million, RMB541.0 million, RMB604.3 million and RMB510.8 million respectively. Our inventory turnover days in 2019, 2020, 2021 and the six months ended June 30, 2022 were 60 days, 67 days, 70 days and 72 days, respectively. See "Financial Information – Key Line Items of our Current Assets and Liabilities." Our business

relies on consumer demand for our products, which depends substantially on factors such as (i) consumer spending patterns, (ii) consumer preferences and tastes, (iii) consumer income, (iv) consumer perceptions of and confidence in our product quality and food safety, and (v) consumer lifestyle. Any change in consumer demand for our products or the occurrences of catastrophic events may have an adverse impact on our product sales, which may in turn lead to inventory obsolescence, decline in inventory value or inventory write-off.

The growing trends of healthy snacking and the negative publicity on potentially carcinogenic additives, flavor enhancer and other chemicals used in the production of snacks, whether substantiated or not, may have material adverse impact on our business.

Our sales may be affected by changes in consumer preferences, including dietary concerns about calories and additives. We have launched vegetable products including *Konjac Shuang* and *Fengchi Kelp* in response to the trends of healthy snacking. Such new products are different in nutrients mix from other products, representing an alternative option for health conscious consumers. For example, our *Konjac Shuang*'s major ingredient is Konjac, which is rich in dietary fiber, while *Fengchi Kelp*'s major ingredient, Kelp, is rich in microelements and vitamins. However, considering the growing trends of healthy snacking, the negative publicity on potentially carcinogenic additives, flavor enhancer and other chemicals used in the production of snacks, although sometimes unsubstantiated, may have adverse impact on our business and results of operations.

We consider the formulas of our products as important trade secrets, and our ability to compete may be impaired if such trade secrets are disclosed to third parties.

We rely on various know-how and proprietary information, including formulas for our seasoned flour products, vegetable products and bean-based and other products, and specifications of our machinery and production process, which constitute trade secrets. Only a few of our senior management have access to the whole formulas of our products. We have established a complete set of confidentiality system for the formulas of our products. For example, we have included confidentiality clauses in OEM contracts, which provides that information regarding our formulas should be treated strictly as confidential. Also, for external personnel who come to our Company for training, study, visits and other activities, we require that they must be accompanied by our staff at all times. Without permission, visitors are not allowed to visit our R&D offices or laboratories, and visitors are denied access to our R&D documents and operating computers. In addition, we have generally included confidentiality clause in the employment contract of our relevant personnel who have knowledge of our confidential information, and our employee handbook sets out the employee's obligation to keep confidential our trade secrets and know-how. We are entitled to terminate the employment of any employee who materially breaches his or her confidentiality obligations under his/her contract. Further, as we enter into various outsourcing and procurement arrangements with third-party contract manufacturers and/or suppliers to manufacture and/or supply food products under our brands, there may be a leakage of our trade secrets or production know-how. While we use reasonable efforts, including the foregoing measures, to protect our trade secrets and know-how, our employees, contractor manufacturers, suppliers or other advisers may unintentionally or willfully disclose our trade secrets and know-how to our competitors. If our trade secrets and know-how are obtained by a competitor or another third party, we may lose our market share, and our business, results of operations and financial condition may be materially and adversely affected.

We may not be able to adequately protect our intellectual property, which could adversely affect our business and operations.

We currently hold a collection of intellectual property rights relating to certain aspects of our business operation. Such intellectual property consists primarily of trademarks, patents and copyrights. As of the Latest Practicable Date, we had registered 924 trademarks, 170 patents, 108 work copyrights and 14 software copyrights in China. Details of our intellectual property rights are set out in "Business – Intellectual Property" and "Appendix IV– Statutory and General Information – B. Further Information about our Business – 2. Intellectual Property Rights." As of the Latest Practicable Date, we were not aware of any material violations or infringements of our trademarks, copyrights, patents or any other intellectual property rights.

In addition, intellectual property-related laws and their implementation in China are still developing, which may result in a degree of uncertainty as to interpretation and enforcement and may limited the legal protection available to us. Policing unauthorized use of proprietary technology is difficult and costly, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. Any such litigation may require significant expenditure of financial and managerial resources and could have a material adverse impact on our business, financial condition and results of operations. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation.

Failure to successfully operate our information systems and implement new technology effectively could disrupt our business or reduce our profitability.

We increasingly rely on information technology systems to process, transmit and store information in relation to our operations. A portion of the communications between our personnel and our suppliers, distributors and consumers depends on information technology. Our information technology systems may be vulnerable to interruption due to a variety of events beyond our control, including but not limited to, natural disasters, telecommunications failures, computer viruses, hackers and other security issues. Any such interruption to our information technology system could disrupt our operations and negatively impact our production and ability to fulfill sales orders, which could have an adverse effect on our business, financial condition and results of operations.

In addition, we may from time to time implement, modify and upgrade our information technology systems and procedures to support our growth and the development of our e-commerce business. These modifications and upgrades could require substantial investment and may not improve our profitability at a level that outweighs their costs, or at all.

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

We may consider growing our business through organic growth, and investments in and/or acquisitions of companies that are complementary to our business in the future. Our ability to grow through acquisition depends upon our ability to identify, negotiate, and complete suitable acquisitions and to obtain any necessary financing for such acquisitions. We have limited experience in acquisitions. We may not be able to successfully identify

appropriate potential acquisition targets, and even if we were able to do so, we may not be able to successfully execute any proposed acquisitions. If we undertake such acquisition but fail to either complete the acquisition or integrate the acquired businesses successfully into our existing operations, our share price, business, financial condition, results of operations and prospects may be materially and adversely affected.

We recorded share-based payment expense in the past and may continue to record such expense in the future, which may affect our profitability and results of operations and result in a dilution of shareholders' shareholding interest.

We had recorded share-based payment expense of RMB50.5 million in 2021 in relation to the RSU scheme approved and adopted by our Board on January 1, 2021 to incentivize and reward our Directors, senior management and some employees. For further details about the RSU Scheme, see "Statutory and General Information—D. Employee Incentive Scheme" in Appendix IV. We have also recorded share-based payments to employees of RMB8.3 million and RMB49.1 million for the six months ended June 30, 2021 and 2022. See note 10 to the Accountant's Report in Appendix I to this prospectus. Share-based payment expense relating to awards granted to Directors, senior management and some employees is based on the grant date when fair value of the RSUs is recognized, on a straight-line basis over the entire vesting period for each batch. We may continue to incur additional share-based payment expenses under the RSU scheme. In addition, we may also adopt other incentive plans to incentivize our Directors, senior management and some employees, increasing expenses of similar nature in the future. Any newly granted RSUs under the RSU Plan, options, or any other share-based compensations that we may grant from time to time may result in an increase in our issued share capital when vested, which in turn may result in a dilution of our shareholders' shareholding interest in our Company and a reduction in earnings per share. An increase in share-based payment expenses would increase our distribution and selling expenses and administrative expenses.

We have recorded a net loss in the six months ended June 30, 2022 due to, and our results of operation in 2022 would be subject to, the impact of our share-based payments related to Pre-IPO Investments.

In April 2022, our Company, our Controlling Shareholders and Pre-IPO investors entered into a supplemental agreement of share purchase agreement, pursuant to which our Company issued and sold to these investors a total number of 157,626,890 ordinary shares, at a par value of US$0.00001 of each share, for a consideration of US$1,576.2689. In accordance with the relevant accounting standards, for the six months ended June 30, 2022, we recorded share-based payments related to Pre-IPO Investments of RMB628.8 million. As the result, we recorded a net loss of RMB260.8 million in the six months ended June 30, 2022, which may affect our profitability and results of operations in 2022.

We may be exposed to risks associated with our trade, other receivables and prepayments.

We generally require our offline distributors to make payments by cash before delivery. In line with the industry practices, we grant up to 90 days of credit terms for credit sales of products. As of December 31, 2019, 2020, 2021 and June 30, 2022, our trade receivables were RMB18.6 million, RMB40.7 million, RMB56.1 million and RMB54.3 million, respectively. As of December 31, 2019, 2020, 2021 and June 30, 2022, our other receivables were RMB9.7 million, RMB5.9 million, RMB13.8 million and RMB10.9 million, respectively. We cannot assure you that our customers or other parties could make payments to us in a timely manner. Prolonged

process of payment of such entities may cause an adverse effect on our liquidity position and working capital efficiency, which may in turn increase our finance costs and adversely affect our business operation and financial performance.

Our trade receivables turnover days were 1.8 days, 2.6 days, 3.7 days and 4.4 days in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. As we plan to continue expanding the scale of our business, we cannot guarantee that they will not continue to increase in the future, which will make it more challenging for us to manage our working capital effectively, and our results of operations, financial condition and liquidity may be materially and adversely affected.

In addition, our prepayments may involve significant uncertainties. During the Track Record Period, we made prepayments primarily for raw materials and input VAT recoverable. As of December 31, 2019, 2020, 2021 and June 30, 2022, the balance of our prepayments and other non-current assets was RMB168.9 million, RMB253.6 million, RMB301.5 million and RMB223.9 million, respectively. However, there is no guarantee that the suppliers and service providers will perform their obligations in a timely manner. If our suppliers fail to provide raw materials and services to us in a timely manner or at all, we may be exposed to prepayment default and impairment loss risk in relation to the prepayments, which may in turn materially and adversely affect our business and financial position. While we did not experience any material impairment loss during the Track Record Period, we cannot assure you that we will not incur any material impairment losses in the future.

We are exposed to changes in the fair value of financial assets measured at fair value through profit or loss and valuation uncertainties due to the use of unobservable inputs.

As of December 31, 2019, 2020, 2021 and June 30, 2022, our financial assets at fair value through profit or loss were RMB458.6 million, RMB892.3 million, RMB802.1 million and RMB1,563.0 million, respectively. Our financial assets are measured at fair value, and the changes in their fair values are recorded under other gains or losses in the consolidated statements of profit or loss, which will directly affect our profit and results of operations. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we recognized fair value gains on financial assets at fair value through profit or loss of RMB14.0 million, RMB36.6 million, RMB27.4 million, RMB13.2 million and RMB22.7 million, respectively. We cannot assure you that we will continue to generate such fair value gain in the future. If our investments incur a fair value loss, our results of operations and financial condition may be adversely affected.

During the Track Record Period, the fair value of our financial assets at fair value through profit or loss was determined by reference to unobservable inputs to the price of the underlying investments using a valuation pricing model and is classified as a Level 3 fair value measurement. Changes in these unobservable inputs will affect the estimated fair value of our financial assets at the end of each financial reporting period. Given the inherent uncertainty in the fair value of financial assets at fair value through profit or loss, any significant and adverse changes in fair value could have an adverse effect on our financial position and results of operations.

Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred income tax assets, which could have a material adverse effect on our results of operations.

As of December 31, 2019, 2020, 2021 and June 30, 2022, we had deferred income tax assets of RMB12.1 million, RMB12.8 million, RMB42.2 million and RMB65.3 million, respectively. We recognize deferred income tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset against the deductible losses. Therefore, the recognition of deferred tax assets involves significant judgment and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred income tax assets may be reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Accordingly, if our profitability in the future is significantly lower than our management's estimates when our deferred income tax assets were recognized, our ability to recover such deferred income tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations.

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

As of December 31, 2019, 2020, 2021 and June 30, 2022, we had contract liabilities of RMB189.8 million, RMB233.3 million, RMB180.6 million and RMB145.6 million, respectively. Our contract liabilities are primarily advance payments from customers. If we fail to honor our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the prepayments they have made, which may in turn adversely affect our financial condition. In addition, if we fail to honor our obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our results of operations in the future.

If our preferential tax treatment or government grants become unavailable, our results of operations may be adversely affected.

During the Track Record Period, we enjoyed preferential tax treatment under relevant preferential tax policies. We cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. 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, our Chinese subsidiaries paid an enterprise income tax rate of 25%, except for certain subsidiaries which enjoyed preferential tax treatment, including in particular, a subsidiary which was exempt from income tax for engaging in agricultural business. 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 also receive government grants, primarily in the form of nonrecurring financial assistance from the local governments. Our government grants recorded in the consolidated statements of profit or loss amounted to RMB25.1 million, RMB49.4 million, RMB134.5 million, RMB8.7 million, and RMB52.0 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. See "Financial Information – Description

of Major Components of Our Results of Operations – Other Income, Net." We cannot assure you that we will continue receiving or benefiting from such grants in the future.

Our success depends on the continuing efforts of our senior management team and key personnel and our business may be harmed if we lose their services and cannot timely find proper candidates for substitution.

Our current business performance and future success depend substantially on the abilities and contributions of our senior management members, including our founders, Mr. LIU Weiping and Mr. LIU Fuping, all Executive Directors and other key personnel with industry expertise, know-how or experience in areas such as research and development, manufacturing, sales, marketing, financial management, human resources and risk management. If any member of our senior management is unable or ceases to serve in his or her present position, we may not be able to find replacement in a timely basis due to local conditions. As a result, our business may be disrupted, our management quality may deteriorate and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team joins a competitor or forms a competing business, we may lose trade secrets and business know-how as a result. Competition for experienced management in our industry is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of our senior management or attract and retain additional high quality senior executives in the future.

Moreover, our ability to constantly produce high-quality products is partially attributable to a large number of skilled employees who are familiar with and adept at our processing technologies. We also rely on our sales personnel, including regional operational managers, to effectively manage our sales and distribution network. As we expand our operations, we may not be able to retain such skilled processing and sales personnel at a reasonable cost and our business and results of operations may be materially and adversely affected.

Our performance depends on favorable labor relations with our employees, and any deterioration in labor relations, shortage of labor or material increase in wages may have an adverse effect on our results of operation.

The production and sale of spicy snack food products is labor intensive, and our success depends on our ability to hire, train, retain and motivate our employees. We consider favorable labor relations as a significant factor that can affect our performance, and any deterioration of our labor relations could cause labor disputes, which could result in disruption of production and operations.

Since the reform and opening up, China has experienced rapid economic growth, which has resulted in significantly increased labor costs. Average labor wages are expected to increase. In addition, we may need to increase our total compensations to attract and retain experienced personnel required to achieve our business objectives. Any material increase in our labor costs may have an adverse effect on our results of operations.

Our employees are subject to risks of injury caused by the use of production equipment and machinery.

We use heavy machinery and equipment such as powder mixing equipment, ripening equipment, flavoring equipment, antimicrobial equipment and packaging equipment, which are potentially dangerous and may cause industrial accidents and personal injury to our employees. Any significant accident caused by the use of such

equipment or machinery could interrupt our production and result in legal and regulatory liabilities. Insurance coverage related to accidents resulting from the use of our equipment or machinery may be inadequate to offset losses arising from claims related to such accidents. We cannot assure you that accidents will not happen in the future. In addition, potential industrial accidents leading to significant property loss or personal injury may subject us to claims and lawsuits, and we may be liable for medical expenses and other payments to the employees and their families as well as fines or penalties. As a result, our reputation, brands, business, results of operations and financial condition may be materially and adversely affected.

We may not be able to detect or prevent fraud, bribery, or other misconduct committed by our employees, customers or other third parties.

We may be exposed to fraud, bribery, or other misconduct committed by our employees, customers or other third parties, which could subject us to financial losses and penalties from governmental authorities. Although our internal control procedures are designed to monitor our operations and ensure overall compliance, our internal control procedures may be unable to identify all non-compliances, suspicious transactions, fraud, corruption or bribery in a timely manner. If such misconduct occurs, we may suffer from negative publicity and reputation damages.

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 contributions and housing provident funds for our employees. During the Track Record Period and as of the Latest Practicable Date, we had not made social insurance and housing provident fund contributions for some of our employees timely or in full in accordance with the relevant Chinese laws and regulations. The provision we have made related to social insurance and housing provident fund contributions in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 amounted to approximately RMB30.2 million, RMB35.6 million, RMB33.0 million, RMB21.2 million and RMB13.1 million, respectively.

As advised by our PRC Legal Advisors, if we fail to complete the social insurance registration and open a social insurance account prior to the deadline, we may be subject to a fine of one to three times the amount of social insurance premiums payable. In addition, the relevant Chinese authorities may request us to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to repay the outstanding social insurance contributions within the prescribed period, we may be liable to a fine of one to three times the outstanding contribution amount.

If we fail to complete the housing provident fund registration and open a housing provident fund account prior to the deadline, we may be subject to a fine of RMB10,000 to RMB50,000. If we fail to make payments of outstanding housing fund contributions prior to the deadline, we may be subject to an order from the relevant people's courts to make such payment. See "Business – Legal Proceedings and Compliance – Compliance – Social Insurance and Housing Provident Funds."

Defects related to certain of our properties may adversely affect our ability to use these properties.

As of the Latest Practicable Date, 40 of our lease agreements were not registered with the appropriate government authorities in China. As advised by our PRC Legal Advisors, if we and the landlords fail to register such lease agreements 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. If we are liable for fines because of the non-registration of lease agreements, our business operation could be adversely affected.

As of the Latest Practicable Date, there were defects in some of our owned and leased properties. See "Business – Properties." If we are required to discontinue to occupy or demolish these properties by the relevant Chinese authorities, or if we fail to find an alternative site in a timely manner and on acceptable terms, our facilities, business, operating and financial results may be adversely affected.

Our manufacturing operations are subject to a variety of food safety, environmental protection, health, fire safety and other safety laws and regulations.

As a manufacturer of snack food products, we are subject to extensive government laws and regulations in relation to food safety in China, and we are required to maintain various licenses and permits 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 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, relevant government authorities are empowered to conduct random testing of food. Further, relevant administrative authorities in relation to food safety and quality supervision are empowered to enter into production facilities to conduct on-site inspection, sample testing of food, food additives and food-related products being produced.

Failure to comply with food safety laws or other legal 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 will have an adverse impact on our business, results of operations and financial condition.

In addition, we are subject to a variety of laws and regulations imposed by the Chinese government relating to environmental protection, health, fire safety and other safety. Compliance with existing and future environmental protection, health, fire safety and other safety laws could subject us to costs or liabilities, including monetary damages and fines; impact our production capabilities; result in suspension of our business operations; and general impact our financial performance. We currently do not carry any insurance relating to environmental protection. If we are held liable for damages in the event of any pollution, injury or other violation of applicable environmental protection, health, fire safety or other safety laws, we may also be subject to adverse publicity and our financial condition and results of operations could be materially and adversely affected.

Further, there is no assurance that the Chinese government will not impose additional or more stringent laws or regulations on food safety or otherwise related to our business in the future, the compliance of which may require us to incur significant capital expenditure.

Litigation or legal proceedings could expose us to liability, divert our management's attention and negatively impact our reputation.

We may be involved in litigation or legal proceedings during the ordinary course of business operations related to, among other things, product or other types of liability, labor disputes or contract disputes that could have a material and adverse effect on our financial condition. These actions could also expose us to adverse publicity, which might adversely affect our brands, reputation and customer preference for our products. If we become involved in any litigation or other legal proceedings in the future, the outcome of these types of proceedings could be uncertain and could result in settlements or outcomes that adversely affect our financial condition. In addition, any litigation or legal proceedings could incur substantial legal expenses as well as significant time and attention of our management, diverting their attention from our business and operations.

We have limited insurance to cover our potential losses and claims.

We maintained limited statutory insurance, which we believe is customary for businesses of our size and type and in line with the standard commercial practice in our industry. See "Business – Insurance." If we were held liable for uninsured losses, our business and results of operations may be materially and adversely affected. In addition, we are not insured against product liability or business interruptions resulting from natural disasters such as droughts, floods, earthquakes or severe weather conditions, any suspension or cessation in the supply of utilities or other calamities. Any liability claim for damages relating to our products, interruption to our operations, and the resulting losses or damages, could materially and adversely affect our business, results of operations and financial condition.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in Chinese economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Substantially all of our business assets are located in China and substantially all of our sales are currently derived from China. Accordingly, our results, financial position and prospects are subject, to a significant degree, to the economic, political and legal developments of China. Political and economic policies of the Chinese government could affect our business and financial performance and may result in our being unable to sustain our growth. In recent years, the Chinese government implemented a series of laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control, and supervision and inspection of enterprises operating in our industry. See "Regulatory Overview." If the Chinese government continues to impose stricter regulations on our industry, we could face higher costs in order to comply with those regulations, which may impact our profitability.

The economy of China differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange. China has been reforming the Chinese economic system, and has also begun reforming the government structure in recent years. Although these reforms have resulted in significant economic growth and social progress, we cannot predict whether changes in Chinese political, economic and social conditions, laws, regulations and policies will have any adverse effect on our future business, results or financial condition. Moreover, the Chinese government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our industry and our Company.

Uncertainties with respect to the Chinese legal system could have a material and adverse effect on us. The Chinese legal system is different from the legal systems in common law jurisdictions.

Our business and operations are primarily conducted in China and are governed by Chinese laws and regulations. The Chinese legal system is based on written statutes and their interpretation by the legislative bodies, the judicial authorities and the enforcement bodies. Prior court decisions may be cited for reference, but have limited weight as precedents. In recent years, the Chinese government has significantly enhanced the Chinese legislation and regulations to provide protection to various forms of foreign investments in China. However, as many of these laws and regulations are relatively new, and due to the limited number of published cases and judicial interpretations and their lack of precedential value, enforcement of these laws and regulations involve uncertainties. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention.

Any major changes in relation to food safety regulations and relevant policies may affect our business.

Manufacturers within the spicy snack food industry in China must comply with Chinese food safety laws and regulations. These food safety laws and regulations require all enterprises engaged in the production of food to obtain the food production permits. They also set out safety standards with respect to food and food additives, packaging and containers, information to be disclosed on packaging as well as requirements for food production and sites, facilities and equipment used for the transportation and sale of food. In recent years, the Chinese government has been strengthening the supervision of food safety. The newly revised Food Safety Law of the People's Republic of China (中華人民共和國食品安全法) and the Regulation on the Implementation of the Food Safety Law of the People's Republic of China (中華人民共和國食品安全法實施條例) stipulate that businesses engaged in food production should conduct their production and operation activities according to the applicable laws and regulations and food safety standards, establish a comprehensive food safety management system, and take effective measures to prevent and control food safety related risks to ensure the safety of the food produced. This may increase the compliance costs of Chinese spicy snack food companies, including us. Any failure to comply with Chinese food safety related laws and regulations may result in order of rectification, fines, confiscation of illegal gains, order of suspension of operations, revocation of food production and operating permits and, in more extreme cases, prosecution for criminal liabilities. See "Regulatory Overview." Although

we are in compliance with current food safety laws and regulations, in the event that the Chinese government further makes changes on food safety regulation, our production, sales and distribution costs may increase, and we may be unable to successfully pass on these additional costs, which could adversely affect our business, financial condition and development prospects.

According to relevant regulation on food safety, the national standards on food safety shall be uniformly implemented in all provinces of China. For local food specialties with no applicable national standard, the provincial authorities may develop and publish local food safety standards. At the same time, the state encourages food production enterprises to develop standards more stringent than the national or local food safety standards, and such standards shall be submitted to the provincial health administrative department for recordation. However, unclear or ununified food safety standards may pose risks to our business. We experienced certain non-compliance incidents with several local authorities due to the use of preservatives in our Latiao products produced from April 2017 to April 2018. National standards for the use of food additives did not specify the food category under which "seasoned flour products" should be regulated. The lack of a clear categorization led to inconsistent regulatory standards across different provinces. The authorities in Henan province, where we are located, generally allowed the use of preservatives in Latiao with reference to the food additive standard for the category of "Pastry, puffed food", while some other provinces prohibited such use referring to the standard for the category of "instant rice-based and flour-based products". As a result, authorities in the latter provinces found our Latiao products produced from April 2017 to April 2018 inconsistent with their applicable regulatory standards while conducting snack sampling inspection. In May 2018, the National Health Commission issued the National Standard on Food Security: Seasoned Flour Products (Drafts for Comments)(Not in effect), unifying the regulation standard to some extent. We discontinued the use of such food additives since May 2018 and there were no further substandard cases of sampling inspection due to the use of the aforementioned additives. Neither has the Company been subject to administrative penalties or other compliance or enforcement actions that could have material adverse effects due to the aforesaid incidents. Our PRC Legal Advisor is of the view that based on relevant documents from and interviews with competent authorities, considering relevant regulatory policies and the facts stated above, the risk of us being subject to administrative penalty or other compliance or legal action in relation to the aforesaid incidents that may have a material impact on us is low.

We have now adopted more stringent enterprise standards for our main products than the current national standards and applicable local standards, if any. However, we cannot assure you that inconsistencies in the application of regulatory standards will not recur in the future. As we continue to upgrade existing products and introduce new products, local authorities may consider that our enterprise standards for new products conflict with new or existing national standards or local standards, if any. In such events, we may fail food inspections, which could adversely affect our business, financial condition and development prospects.

You may encounter difficulty in effecting service of legal process upon us, our Directors and senior management and enforcing foreign judgments against us, our Directors and senior management.

We are a company incorporated in the Cayman Islands with substantial assets located within China. Most of our Directors and senior management reside in China and a majority of their assets are within China. As a result, it may not be possible for you to effect service of legal process within China on us or our Directors or senior management.

Judgments of courts of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty on that with China. Currently, China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United States, the United Kingdom or most other western countries. On July 14, 2006, Hong Kong and China 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 (the "**Arrangement**"), pursuant to which reciprocal recognition and enforcement of the judgment may be possible between these two jurisdictions provided that the judgment is rendered by a final court of these two jurisdictions and the parties has a expressly written choice of court. It may be difficult or impossible for you to enforce judgment between these jurisdictions if you have not agreed on sole jurisdiction with the other party. In addition, Hong Kong has no arrangement for reciprocal enforcement of judgments with the United States and certain other jurisdictions. As a result, you may encounter difficulty in enforcing foreign judgments against us or our Directors or senior management.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our Chinese subsidiaries to pay dividends to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in China. Therefore, despite certain income at the holding company level, the availability of funds to pay dividends to our Shareholders largely depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted.

Chinese laws and regulations require that dividends be paid only out of distributable profits, which are our net profit as determined in accordance with PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient distributable profits, if any, to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Furthermore, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

We may be considered a "Chinese resident enterprise" under the EIT Law, which could result in our global income being subject to a 25% Chinese enterprise income tax and gains on the sales of shares and dividends on the shares may be subject to Chinese income tax.

Our Company is incorporated in the Cayman Islands. We conduct our business through operating subsidiaries in China. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose "*de facto management bodies*" are located within China are considered "Chinese resident enterprises" and thus will generally be subject to an EIT at the rate of 25% on their global income. On April 22, 2009, the SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》, "**Circular 82**"), as amended on December 29, 2017, which sets out the standards and procedures for determining whether the "*de facto management body*" of an enterprise registered outside of China and controlled by Chinese enterprises or Chinese enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a Chinese enterprise or Chinese enterprise group is considered a Chinese resident enterprise if all of the conditions apply.

Further to Circular 82, the SAT issued Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得稅管理辦法（試行）》, "**Bulletin 45**"), which took effect on September 1, 2011, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by Chinese enterprises or Chinese enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general.

However, the tax resident status of an enterprise is subject to determination by the Chinese tax authorities and uncertainties remain with respect to the interpretation of the term "*de facto management body*". Since most of our management members are currently located in China, and there are no plans to move outside of China in the future, we may be recognized as a Chinese resident enterprise for the purpose of the EIT Law. In the event that the Chinese tax authorities subsequently determine that we should be classified as a resident enterprise, our worldwide income will be subject to income tax at a uniform rate of 25%. Accordingly, our income tax expense may increase significantly and our net profit and profit margin could be materially and adversely affected.

Further, withholding tax at 10% will normally apply to dividends payable to investors that are non-Chinese resident enterprise by Chinese resident enterprise or on gain recognized by the non-Chinese investors with respect to the sale of shares of the Chinese resident enterprise as such dividend or gain is derived from sources within China. Chinese withholding tax at a 20% rate may apply to dividends paid to and any gain realized by non-resident individual shareholders. If we are deemed by the Chinese tax authorities as a Chinese resident enterprise for tax purpose in the future, the dividends to be distributed by the Company and the gain with respect to the sale of shares of the Company may be regarded as income from "sources within China" and be subject to Chinese income tax, unless such tax is reduced by an applicable income tax treaty between China and the jurisdiction of the non-Chinese investors. It is unclear whether non-Chinese shareholders of our company

would be able to claim the benefits of any tax treaties between their country of tax residence and China and if we are required under the EIT Law to withhold Chinese income tax on our dividends payable to our shareholders, or if our shareholders are required to pay Chinese income tax on the transfer of the shares, the returns on our shareholders' investment in our Shares will be reduced.

Our dividend income from our foreign-invested Chinese subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

Under the EIT Law and the EIT Rules, dividend payments from Chinese subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a Chinese tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. If certain conditions and requirements under the Arrangement between the Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income entered into between Hong Kong and the PRC (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (the "**Hong Kong Tax Treaty**"), are met, the withholding rate could be reduced to 5%. However, the SAT promulgated Circular of the State Administration of Taxation on Issues Concerning the "Beneficial Owners" under Tax Treaties (the "**Circular 9**") on February 3, 2018, which provides that a "beneficial owner" is a person who has the ownership and control over the relevant income or the rights or properties that generate the relevant income. A beneficial ownership analysis will be made based on a totality of facts of each case and the "substance-over-form" principle to determine whether a recipient is entitled to tax treaty benefits. It is unclear whether Circular 9 applies to dividends from our Chinese operating subsidiaries paid to us. It is possible, however, that under Circular 9, our Chinese operating subsidiaries would not be considered the "beneficial owner" of any such dividends, and that such dividends would, as a result, be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Hong Kong Tax Treaty. In that case, our financial position and results of operations would be materially and adversely affected.

Governmental control over capital inflow/outflow, currency conversion and fluctuations in exchange rates may affect the value of your investment, result in investment losses, and limit our ability to utilize our cash effectively.

The Renminbi is not currently a freely convertible currency. We receive substantially all of our payments from customers in Renminbi and may need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Under the Chinese existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, the Chinese government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in China. We may not be able to pay dividends in foreign currencies to our Shareholders if the Chinese government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

Our revenue and costs are denominated in Renminbi. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, results of operations and financial position. The exchange rate of the 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 and in international political and economic conditions. Since 1994, the conversion of the Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policies goals.

There remains significant international pressure on the Chinese government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies. If the Renminbi appreciates against other currencies significantly, and as we need to convert and remit the proceeds from the Global Offering and future financing into the Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would reduce the Renminbi amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of the Renminbi against the Hong Kong dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms. In addition, there are limited instruments available for us to reduce our exposure to foreign currency risk at reasonable costs. Any of the foregoing factors may materially and adversely affect our businesses, financial position, operating results and prospects.

Failure by our Shareholders who are Chinese individual residents to make required applications and filings pursuant to regulations relating to offshore investments by Chinese residents may prevent us from distributing dividends and expose us and our Shareholders who are Chinese residents to liability under Chinese law.

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, the "**SAFE Circular 37**"), which was promulgated by SAFE and replaced SAFE circular No. 75 and became effective on July 4, 2014, requires a Chinese individual resident ("**Chinese Resident**") to register with the local SAFE branch before establishing or controlling an offshores entity for the purpose of offshore equity financing involving onshore assets or equity interests held by them onshore. They must also make filings with SAFE thereafter upon the occurrence of certain changes in the capital structure. These registration and filing procedures are prerequisites for other approval and registration procedures necessary for capital inflow from offshore entities, such as inbound investment or shareholders' loans, or capital outflow to offshore entities, such as the payment of dividends, repayment of offshore shareholder loans, liquidation distributions, equity sale proceeds or refunds upon a capital reduction.

On February 13, 2015, the Circular of Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》, the

"**SAFE Circular 13**") was promulgated by the SAFE and took effect on June 1, 2015. Pursuant to the SAFE Circular 13, the administrative examination and approval procedures relating to the foreign exchange registration approval under domestic direct investment and the foreign exchange registration approval under overseas direct investment are canceled and direct investment-related foreign exchange registration is directly reviewed and handled by banks. Further, the procedures for some direct investment-related foreign exchange businesses are simplified under the SAFE Circular 13, e.g. the annual inspection of direct investment-related foreign exchange is canceled and registration of existing equity shall be adopted instead.

Our Shareholders or beneficial owners, who are Chinese Residents, are subject to SAFE Circular No. 37 or other foreign exchange administrative regulations in respect of their investment in our Group. Any failure by any of our Shareholder or beneficial owners, who are Chinese Residents, to make the registrations or updates pursuant to relevant regulations may subject such Shareholder or beneficial owners to penalties under Chinese foreign exchange administrative regulations, and may subject us to fines or other legal sanctions, limit our subsidiaries' ability to pay dividends or make other distributions, and adversely affect our business, financial condition and results of operations. As at the Latest Practicable Date, to the best knowledge of our Directors, our Chinese Resident Shareholder, namely Mr. Liu Weiping and Mr. Liu Fuping had completed initial registration under SAFE Circular No. 37 on August 20, 2018, respectively.

Failure to comply with the requirements for employee stock incentive plans may subject the Chinese plan participants or us to fines and other legal or administrative penalties.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》, the "**SAFE Circular 7**"), which replaced the earlier rules promulgated by the SAFE in March 2007. Under the SAFE Circular 7 and other relevant requirements and regulations, Chinese residents who participate in stock incentive plans in an overseas publicly listed company are required to register with the SAFE or other branches and complete certain other procedures. The Chinese resident participants of stock incentive plans are required to retain a qualified Chinese agent, which could be the Chinese subsidiary of such overseas listing public company or other qualified institutions selected by Chinese subsidiary) to register with the SAFE and complete other procedures on behalf of such participants for stock incentive plans. The participants must also retain an overseas entrusted institution to complete matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the Chinese agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the Chinese agent or the overseas entrusted institution or other material changes. Also, SAFE Circular 37 stipulates the Chinese residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local branches before they exercise the share options. We and our Chinese employees who have been granted RSUs will be subject to these regulations. Failure of our Chinese share option holders or restricted shareholders to complete their SAFE registrations may subject these Chinese residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions may also limit our ability to contribute additional capital into our Chinese subsidiary, limit our Chinese subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our businesses.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in China will be subject to Chinese individual income tax upon exercise of the share options or grant of the restricted shares. Our China subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

Chinese regulation of loans to and direct investment by offshore holding companies into Chinese entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our Chinese operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the proceeds of the Global Offering in the manner described in the section "Future Plans and Use of Proceeds" in this prospectus, as an offshore holding company of our Chinese operating subsidiaries, we may make loans or additional capital contributions to our Chinese subsidiaries or a combination thereof. Any loans to our Chinese subsidiaries are subject to Chinese regulations and approvals.

In addition, any capital contributions to our Chinese subsidiaries must be approved by the PRC Ministry of Commerce or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of this Global Offering and to capitalize our Chinese operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

There is uncertainty with respect to the indirect transfers of equity interests in our Chinese resident enterprises through transfers made by our Shareholders or our non-Chinese holding companies.

On February 3, 2015, the SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告) ("**Circular 7**"), which replaced certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of Non-resident Enterprises (國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知) ("**Circular 698**"). Circular 7 provided comprehensive guidelines relating to, and also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the "**Chinese Taxable Assets**"). For example, Circular 7 stated that where a non-resident enterprise transfers Chinese Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such transfer is deemed for the purpose of avoiding EIT payment obligations and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities will classify such transaction by applying

Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and an active trading market may not develop.

Before the Global Offering, there was no public market for our Shares. The initial offer price range of our Shares, and the Offer Price, will be the result of negotiations between the Joint Global Coordinators (on behalf of the Underwriters) and us.

In addition, while we have applied to have our Shares listed on the Stock Exchange, there can be no guarantee that (i) an active trading market for our Shares will develop or, (ii) if it does, that it will be sustained following the completion of the Global Offering, or (iii) that the market price of our Shares will not decline below the Offer Price. You may not be able to resell your shares at a price that is attractive to you, or at all.

***Possible setting of the Offer Price after making a Downward Offer Price Adjustment*.**

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Share. It is therefore possible that the final Offer Price will be set at HK$9.36 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply.

If the final Offer Price is set at HK$9.36, the estimated net proceeds we will receive from the Global Offering will be reduced to HK$793.1 million, and such reduced proceeds will be used as described in the section headed "Future Plans and Use of Proceeds – Use of Proceeds."

The price and trading volume of our Shares may be volatile which could result in substantial losses for investors purchasing our Shares in the Global Offering.

The price and trading volume of our Shares may be volatile. The market price of our Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- actual or anticipated variations of our results of operations;
- loss of key raw material suppliers;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, depositions, strategic alliances or joint ventures;
- addition or departure of key senior management or other key personnel;
- fluctuations in stock market price and volume;

- regulatory or legal developments, including involvement in litigation;
- fluctuations in trading volume or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, China and elsewhere in the world.

In addition, stock markets and the shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may materially and adversely affect the market price of our Shares.

Future sale or major divestment of Shares by our Controlling Shareholders or our Investors could materially and adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders or Investors could materially and adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although such Controlling Shareholders and Investors have agreed to a lock-up on their Shares, any major disposal of our Shares by any of such Controlling Shareholders and Investors upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The initial Offer Price of our Shares is higher than the net tangible asset value per Share of the outstanding Shares issued to our existing Shareholders immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in terms of the pro forma net tangible asset value. In addition, we may consider offering and issuing additional Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. Purchasers of our Shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall when the trading of our Shares commences.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be about four Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price or value of our Shares could fall when trading commences as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

There can be no assurance as to whether we will pay dividends in the future.

We paid dividends in 2019, 2020, 2021 and the six months ended June 30, 2022 of RMB308.1 million, RMB1.4 million, RMB596.0 million and nil, respectively. However, there is no assurance as to whether we will pay dividends in the future. Declaration and distribution of dividends shall be proposed and formulated by our Board of Directors at their discretion and will be subject to shareholder approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, operating and capital expenditure requirements, distributable profits, future prospects and other factors that our Board of Directors may determine are important. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined. See "Financial Information – Dividend."

You may experience difficulties in enforcing your shareholder rights because we incorporated in the Cayman Islands, and the Cayman Islands law is different from the laws of Hong Kong and other jurisdictions in terms of minority shareholder's protection.

We are an exempted company incorporated in the Cayman Islands with limited liability. Cayman Islands law differs in some respects from the laws of Hong Kong and other jurisdictions where investors may be located. Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of our Shareholders to take legal actions against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands, and from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under the Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong, the United States or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities law. As a result, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, Directors or Controlling Shareholders than they would as shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions.

Certain statistics contained in this prospectus are derived from a third party report and publicly available official sources.

This prospectus, particularly the section headed "Industry Overview" in this prospectus, contains information and statistics, including but not limited to information and statistics relating to China, the snack food industry and the spicy snack food industry. Such information and statistics have been derived from various official government and other publications and from a third party report prepared by Frost & Sullivan commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted

that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. Therefore, you should not unduly rely upon the industry facts and statistics contained in this prospectus.

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

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and 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 prospectus 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 prospectus, 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 prospectus are qualified by reference to this cautionary statement.

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

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, including but not limited to certain financial information, industry comparisons, and/or other information about the Global Offering and us. There may continue to be additional press and media coverage on us and this Global Offering. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. 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 appearing in publications other than this prospectus is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus.

In preparation for the Listing, we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us waivers in relation to certain continuing connected transactions between us and certain connected person under Chapter 14A of the Listing Rules.

See "Connected Transactions".

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. Given that (i) our core business operations are principally located, managed and conducted in the PRC and the Company's head office is situated in Henan province, the PRC; (ii) our executive Director and senior management team principally reside in the PRC; and (iii) the management and operation of the Company have mainly been under the supervision of our executive Directors and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group's businesses and it is important for them to remain in close proximity to the Group's operation located in the PRC, the Company considers that it would be more practical for its executive Directors and senior management to remain ordinarily resident in the PRC where the 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:

1. **Authorized representatives**: we have appointed Mr. PENG Hongzhi, the executive Director, and Mr. LI Kin Wai, the joint company secretary, as the authorized representatives ("**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Mr. LI Kin Wai ordinarily resides in Hong Kong whereas Mr. PENG Hongzhi ordinarily resides in the PRC, and Mr. PENG Hongzhi possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See

"Directors and Senior Management" in this prospectus for more information about our Authorized Representatives.

2. **Directors**: to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details of each of our Director. In the event that any 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. 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.

3. **Compliance adviser**: we have appointed Mont Avenir Capital Limited as our compliance adviser (the "**Compliance Adviser**") in compliance with Rule 3A.19 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 the Company with the Stock Exchange during the period from the Listing Date to 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 immediately after the Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

WAIVER IN RESPECT OF 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, the Company must appoint an individual, who, by virtue of his 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 Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

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 law 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. SHEN Xiaochun as the one of the joint company secretaries of the Company. See "Directors and Senior Management" in this prospectus for further biographical details of Ms. SHEN Xiaochun.

Ms. SHEN Xiaochun has substantial experience in handling corporate, legal and regulatory compliance and administrative matters but personally does not possess 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, the Company has appointed Mr. LI Kin Wai, an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), 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. SHEN Xiaochun for an initial period of three years from the Listing Date to enable Ms. SHEN Xiaochun 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 the section headed "Directors and Senior Management" in this prospectus for further biographical details of Ms. SHEN Xiaochun and Mr. LI Kin Wai.

The following arrangements have been, or will be, put in place to assist Ms. SHEN Xiaochun in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

(a) Ms. SHEN Xiaochun 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) Mr. LI Kin Wai will assist Ms. SHEN Xiaochun 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.

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

(d) Prior to expiry of Ms. SHEN Xiaochun's initial three-year term of appointment as the company secretary of our Company, we will evaluate her experience and liaise with the Stock Exchange to determine if Ms. SHEN Xiaochun, having had the benefit of Mr. LI Kin Wai's assistance for three years, has acquired the qualifications required under Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

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 Ms. SHEN Xiaochun ceases to be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 or if there are material breaches of Listing Rules by us.

WAIVER IN RELATION TO PUBLIC FLOAT

Rule 8.08(1) of the Listing Rules requires that there must be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. Generally, at least 25% of an issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

Based on the minimum Offer Price HK$10.40 and assuming no exercise of the Over-allotment Option, we expect to achieve a minimum market capitalization of at least HK$10 billion upon Listing.

Accordingly, we have applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules, pursuant to which the public float of the Company may fall below 25% of the issued share capital of the Company, to allow a minimum public float of the Company to be the highest of:

(i) 15% of the Company's total issued share capital;

(ii) such percentage of Shares held by the public (including the Pre-IPO Investors) after completion of the Global Offering (assuming that the Over-allotment Option is not exercised), which is expected to be 17.06%; and

(iii) such percentage of Shares held by the public (including the Pre-IPO Investors) after the full or partial exercise of the Over-allotment Option, subject to a maximum percentage of 25% pursuant to Rule 8.08(1)(a) of the Listing Rules.

In support for the application of the waiver, we have confirmed to the Stock Exchange that:

(a) we will have a market capitalization at the time of the Listing of over HK$10 billion;

(b) the quantity and scale of the issued securities would enable the market to operate properly with a lower percentage of public float;

(c) we will make appropriate disclosure of the lower prescribed percentage of public float in this prospectus;

(d) we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum public float; and

(e) we will confirm sufficiency of public float in our successive annual reports after the Listing.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public about us. Our Directors (including any proposed director who is named as such in this Prospectus) collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises the International Offering of initially 86,757,200 Offer Shares and the Hong Kong Public Offering of initially 9,639,800 Offer Shares, each subject to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus and without taking into account the Over-allotment Option. For applicants under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

The Offer Price is expected to be fixed among the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, December 8, 2022 and, in any event, not later than Friday, December 9, 2022 (unless otherwise determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Friday, December 9, 2022, the Global Offering will not become unconditional and will lapse immediately.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and any of their respective directors, officers, employees, agents or representatives or advisors or any other persons involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to

involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for our Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All the Offer Shares will be registered on the branch register of our Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the Listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

Downward Offer Price Adjustment

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and Stabilization are set out in the section headed "Structure of the Global Offering" in this prospectus.

PROCEDURE FOR APPLICATION OF HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, December 15, 2022. Shares will be traded in board lots of 200 Shares each.

SHARE REGISTER AND HONG KONG STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Maples Fund Services Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by Tricor Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. The current and valorem rate of Hong Kong stamp duty of 0.13% on the higher of the consideration for or the market value of the Shares and it is charged to the purchaser on every purchase and to the seller on every sale of the Shares. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the Shares. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, officers, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

EXCHANGE RATE

Solely for convenience purposes, this document includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.9164 to HK$1.00, the exchange rate prevailing on November 28, 2022 published by the PBOC for foreign exchange transactions, (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.8147 to US$1.00, and (iii) the translation between U.S. dollars and Renminbi were made at the rate of RMB7.1617 to US$1.00, published by the PBOC for foreign exchange transactions prevailing on November 28, 2022.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

For further information on our Directors, please refer to the section headed "Directors and Senior Management" of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. LIU Weiping (劉衛平)	Room 2901, 29/F, Building 5 Changjian East Waitan, Jinshan Road Yancheng District Luohe, Henan PRC	Chinese
Mr. LIU Fuping (劉福平)	Room 901, East Unit, Building 16 Jianye Senlin Bandao, Songshan Road Yancheng District Luohe, Henan PRC	Chinese
Mr. SUN Yinong (孫亦農)	116-501 Guihua Xincun Canglang District Suzhou, Jiangsu PRC	Chinese
Mr. PENG Hongzhi (彭宏志)	Room 603, Building 15 Chuangye Huayuan, Dongfanghong Road Shaoling District Luohe, Henan PRC	Chinese
Mr. LIU Zhongsi (劉忠思)	Room 103, Unit 2, Building 1 Chuangye Huayuan, Dongfanghong Road Shaoling District Luohe, Henan PRC	Chinese

Name	Address	Nationality
Mr. CHEN Lin (陳林)	West 5/F, Unit 3, Building B07 Shuanghui Guoji Huayuan Yancheng District Luohe, Henan PRC	Chinese

Independent Non-executive Directors

Ms. XU Lili (徐黎黎)	Room 3, No. 266 Hunan Road Xuhui District Shanghai PRC	Chinese
Mr. ZHANG Bihong (張弼弘)	Flat E, 22/F, Tower 2, The Harbour Side 1 Austin Road West Kowloon Hong Kong	Chinese
Ms. XING Dongmei (邢冬梅)	3-901, Building 5, District 1, Jiaming Yuan Chaoyang District Beijing PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

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

	UBS Securities Hong Kong Limited 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Global Coordinators	**UBS AG Hong Kong Branch** 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	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
Joint Bookrunners	**UBS AG Hong Kong Branch** 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	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

BNP Paribas Securities (Asia) Limited
60/F-63/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2 13/F United Centre
No.95 Queensway
Hong Kong

Joint Lead Managers

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

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

BNP Paribas Securities (Asia) Limited
60/F-63/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2 13/F United Centre
No.95 Queensway
Hong Kong

	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
Co-Managers	**Silverbricks Securities Company Limited** Rooms 1004-1006, 10/F China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
	I Win Securities Limited Room 201, 2/F China Insurance Group Building 141 Des Voeux Road Central Central Hong Kong
Reporting Accountant and Independent Auditor	**PricewaterhouseCoopers** *Certified Public Accountants and Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Legal Advisors to the Company	*As to Hong Kong and U.S. laws:* **Clifford Chance** 27/F, Jardine House One Connaught Place Central Hong Kong
	As to PRC law: **Commerce & Finance Law Offices** 12-14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Beijing PRC

	As to Cayman Islands law: **Maples and Calder (Hong Kong) LLP** 26th Floor, Central Plaza 18 Harbor Road Wanchai Hong Kong
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws:* **Paul Hastings** 22/F, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng** 45/F, K. Wah Center 1010 Huaihai Road (M) Xuhui District Shanghai City PRC
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 1014-1018, Tower B 500 Yunjin Road Shanghai PRC
Receiving Bank	**Bank of China (Hong Kong) Limited, Hong Kong** Bank of China Tower 1 Garden Road Central Hong Kong

Registered Office	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Head Office and Principal Place of Business in PRC	Southwest Corner Intersection of Dongfanghong Road and Zhongshan Road Shaoling District Luohe, Henan PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	**www.weilongshipin.com** *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	SHEN Xiaochun Room 1002, Unit 2, Building 21 Chuangye Huayuan Dongfanghong Road Shaoling District Luohe, Henan PRC LI Kin Wai (ACG HKACG) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	PENG Hongzhi Room 603, Building 15 Chuangye Huayuan Dongfanghong Road Shaoling District Luohe, Henan PRC

	LI Kin Wai (ACG HKACG) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Audit Committee	ZHANG Bihong (Chairman) XU Lili XING Dongmei
Nomination Committee	LIU Weiping (Chairman) XU Lili ZHANG Bihong
Remuneration Committee	XING Dongmei (Chairlady) XU Lili CHEN Lin
Compliance Adviser	**Mont Avenir Capital Limited** Room 3812-3813, 38/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong
Hong Kong Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Cayman Islands Principal Share Registrar and Transfer Agent	**Maples Fund Services Limited** P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands
Principal Bankers	**Agricultural Bank of China** **Luohe Wuyi Road Branch** Intersection of Wuyi Road and Jianshe Road Yuanhui District Luohe, Henan PRC

China Construction Bank
Luohe Huanghe Road Branch
No. 818 Huanghe Road, Yancheng District
Luohe, Henan
PRC

Shanghai Pudong Development Bank Co., Ltd.
Zhengzhou Zhenggang Six Road Branch
Intersection of Yongzhou Road and Poyang Lake Road
Zhongmou County, Zhengzhou, Henan
PRC

The information and statistics set out in this section and other sections of this prospectus 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 the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Global Coordinators, Joint Sponsors, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

OVERVIEW OF CHINA'S SNACK FOOD INDUSTRY

Snack food refers to packaged foods that are usually consumed between meals or during leisure times. China is one of the largest snack food markets in the world. According to the Frost & Sullivan Report, the market size of China's snack food industry in terms of retail sales value in 2021 was RMB825.1 billion, with a CAGR of 6.1% from 2016 to 2021. Driven by increasing disposable income, accelerating urbanization, diversifying consumption occasions, continuous upgrade of existing products and introduction of new products, and the improvement of retail channels, the market size of China's snack food industry is expected to grow at a 6.8% CAGR from 2021 to 2026 to reach RMB1,147.2 billion in terms of retail sales value by 2026.

According to the Frost & Sullivan Report, the annual growth rate of China's snack food industry in terms of retail sales value in 2020 slowed down to 1.9% due to the negative effects of the COVID-19 outbreak, and increased to 6.5% in 2021 due to the lessened effects of the COVID-19. Despite the Omicron variant of COVID-19 outbreak in early 2022, the industry is expected to continue to recover with pandemic impact gradually under control.

According to the Frost & Sullivan Report, snack food can be divided into 10 categories, namely (i) confectionery, chocolates and preserves; (ii) roasted seeds and nuts; (iii) crispy snack foods; (iv) bread, cakes and pastries; (v) biscuits; (vi) meat and aquatic animal snacks; (vii) seasoned flour products; (viii) vegetable snacks; (ix) dried tofu snacks; and (x) other snacks.

The table below sets forth the breakdown of retail sales value of China's snack food industry from 2016 to 2026 by category:

	Retail Sales Value			CAGR	
	2016	2021	2026E	2016-2021	2021-2026E
	(RMB billion)	(RMB billion)	(RMB billion)		
Confectionery, chocolates and preserves	159.5	192.2	229.3	3.8%	3.6%
Roasted seeds and nuts	104.2	151.2	222.0	7.7%	8.0%
Crispy snack foods	67.3	94.1	133.3	6.9%	7.2%
Bread, cakes and pastries	68.2	88.8	121.8	5.4%	6.5%
Biscuits	63.5	82.3	110.5	5.3%	6.1%
Meat and aquatic animal snacks	61.4	85.2	122.3	6.8%	7.5%
Seasoned flour products	29.1	45.5	69.7	9.4%	8.9%
Vegetable snacks	14.6	28.6	62.6	14.4%	17.0%
Dried tofu snacks	12.8	18.2	25.7	7.3%	7.1%
Other snacks[1]	32.2	39.0	50.0	3.9%	5.1%
Total	**612.8**	**825.1**	**1,147.2**	**6.1%**	**6.8%**

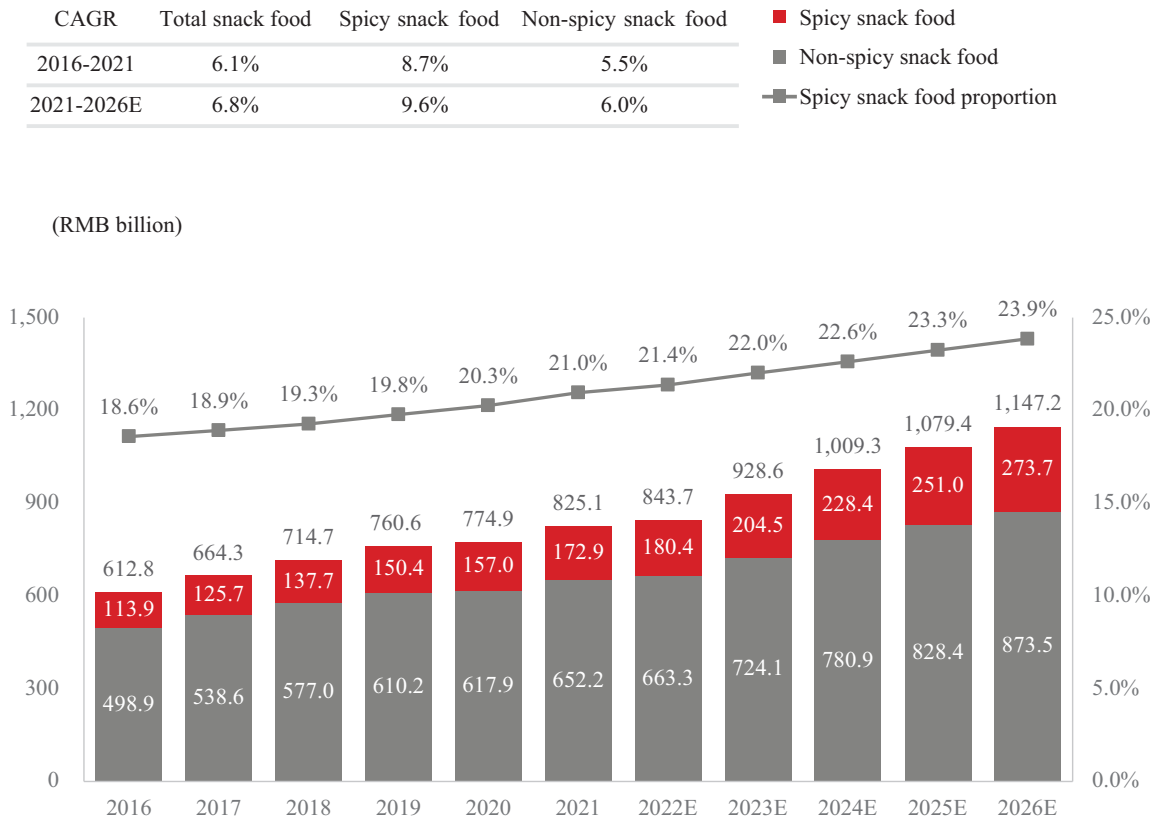
(1) Other snacks include products such as jelly and eggs, among others.

Source: National Bureau of Statistics, China National Food Industry Association, Frost & Sullivan Report

According to the Frost & Sullivan Report, snack food can also be divided into two key segments by flavor: spicy snack food and non-spicy snack food. Spicy snack food refers to snack food whose raw materials contain one or several types of spices; non-spicy snack food refers to snack food whose raw materials do not contain any spices. The chart below sets forth the breakdown of retail sales value of China's snack food industry from 2016 to 2026 by flavor:

Retail sales value of China's snack food industry by flavor

CAGR	Total snack food	Spicy snack food	Non-spicy snack food
2016-2021	6.1%	8.7%	5.5%
2021-2026E	6.8%	9.6%	6.0%



Source: Frost & Sullivan Report

OVERVIEW OF CHINA'S SPICY SNACK FOOD INDUSTRY

Spicy flavor has a long history in China. According to the Frost & Sullivan Report, there is an increasing popularity of spicy snack food in China. Amid the development of spicy snack food industry in recent years, food producers have been developing new products to adapt to changing consumer preferences, which has been a growth driver of the spicy snack food industry. The retail sales value of China's spicy snack food industry has increased from RMB113.9 billion in 2016 to RMB172.9 billion in 2021, representing a CAGR of 8.7%, which was higher than CAGR of the overall snack food industry in China during the same period. The percentage of spicy snack food in the China's overall snack food industry in term of retail sales value has increased from 18.6% in 2016 to 21.0% in 2021. According to the Frost & Sullivan Report, retail sales value of China's spicy snack food industry is expected to grow at a CAGR of 9.6% from 2021 to 2026 and reach RMB273.7 billion by 2026, while China's non-spicy snack food industry is expected to grow at a CAGR of 6.0% during the same period.

According to the Frost & Sullivan Report, spicy snack food consist of the following categories: (i) spicy meat and aquatic animal snacks, (ii) seasoned flour products, (iii) spicy vegetable snacks, (iv) spicy crispy snack

foods, (v) spicy roasted seeds and nuts, (vi) spicy dried tofu snacks and (vii) other spicy snacks. Each of the seven categories above is a sub-category of its corresponding broader snack foods counterpart. Most spicy sub-categories enjoy a higher growth rate compared to their respective snack food category. The table below sets forth the breakdown of retail sales value of China's spicy snack food industry from 2016 to 2026 by category:

	Retail Sales Value			CAGR	
	2016	2021	2026E	2016-2021	2021-2026E
	(RMB billion)	(RMB billion)	(RMB billion)		
Spicy meat and aquatic animal snacks	33.9	47.6	69.2	7.0%	7.8%
Seasoned flour products	29.1	45.5	69.7	9.4%	8.9%
Spicy vegetable snacks	13.3	26.5	58.7	14.8%	17.2%
Spicy crispy snack foods	14.4	20.4	29.3	7.2%	7.5%
Spicy roasted seeds and nuts	12.8	18.1	26.1	7.2%	7.6%
Spicy dried tofu snacks	6.3	9.2	13.5	7.9%	8.0%
Other spicy snacks	4.1	5.6	7.2	6.4%	5.2%
Spicy snack food total	**113.9**	**172.9**	**273.7**	**8.7%**	**9.6%**

Source: Frost & Sullivan Report

Seasoned flour product is a popular authentic Chinese gourmet. According to Frost & Sullivan, in recent years, the popularity of seasoned flour products among young consumers has further increased. According to a survey by Frost & Sullivan, seasoned flour products have become one of the favorite snack foods among young consumers. In terms of retail sales value, the market size of China's seasoned flour products in 2021 was RMB45.5 billion, realizing a CAGR of 9.4% from 2016 to 2021, and is expected to grow at a CAGR of 8.9% to reach RMB69.7 billion by 2026.

Vegetable snacks refer to snack food made of vegetables including kelp, konjac, seaweed, lotus root chips and other vegetables, while puffed vegetable chips are excluded from this category. Spicy vegetable snacks refer to snack food made of vegetables with one or several types of spices added. It was not until the late 1990s that packaged vegetable snacks were available. Nonetheless, benefiting from the exquisite flavor as well as healthy ingredients, spicy vegetable snacks are becoming more and more popular among Chinese consumers. The continuous launch of new products such as konjac and kelp further drove the growth of spicy vegetable snacks, making it the fastest growing category among overall spicy snack food industry in China. According to the Frost & Sullivan Report, the retail sales value of China's spicy vegetable snacks market increased from RMB13.3 billion in 2016 to RMB26.5 billion in 2021, representing a CAGR of 14.8%, and is estimated to further reach RMB58.7 billion by 2026, representing a CAGR of 17.2% from 2021 to 2026.

Spicy dried tofu snacks refer to snack food made of beans with one or several types of spices added. Their raw materials include various kinds of beans, such as soybeans, peas and broad beans. Most dried tofu snacks are reprocessed products of tofu. Dried tofu has a long history of more than 2,000 years in the Chinese culinary tradition. Since the 1990s, packaged dried tofu snacks have become popular among Chinese consumers. According to the Frost & Sullivan Report, the retail sales value of China's spicy dried tofu snacks market was RMB9.2 billion in 2021, and is estimated to reach RMB13.5 billion by 2026, representing a CAGR of 8.0% from 2021 to 2026.

MARKET DRIVERS AND FUTURE TRENDS

Economic Growth and Increasing Disposable Income. China's per capita annual disposable income has grown to RMB35.1 thousand in 2021, and is expected to further increase to RMB51.1 thousand by 2026. Economic growth and the increase in per capita disposable income will significantly increase the purchasing power of consumers, thereby driving the growth of spicy snack food market.

Growing Consumer Base. The consumption of spicy snack food provides consumers with a cheerful experience, bringing a sense of joy, satisfaction and comfort. As such, consumers across various age groups all enjoy spicy snack food, cultivating a growing consumer base for spicy snack food. In addition, interprovincial migration due to accelerating urbanization, as well as improvement of logistics infrastructure, have enabled the expansion of regional delicacies. Spicy food, which was primarily consumed in Hunan, Hubei, Sichuan, Chongqing, Guizhou and Jiangxi, are gradually becoming popular nationwide. The development of Internet, e-commerce and social media in China have also contributed to the prevalence of spicy snack food. For example, an increasing number of internet celebrities regard spicy snack food as an interesting element for their content. Events including food taste test on well-known social platforms, further accelerate the spread of spicy snack food among the public. In addition, a new industry standard for seasoned flour products has been promulgated and has come into effect since October 1, 2022. The new standard will significantly reduce the number of varieties of food additives and lower the content of salt and oil in seasoned flour products, and is expected to raise entry barriers to the players in the industry. Leading players with higher operating standards could benefit from the rising industry standard and gain more market share in the future.

Diversified Consumption Occasions and Increasing Consumption Frequency. Evolving consumption habits are key to the growth of China's spicy snack food industry. Consumption of spicy food is no longer limited to meals, but has expanded to a variety of occasions, including leisure activities, entertainment, travel and office hours. The diversification of consumption occasions has increased the consumption frequency of spicy snack food, further boosting its market growth.

Continuous Launch of New Products. Leading spicy snack food producers in China continuously launch products with new flavors. At present, spicy snack food have expanded to new spicy flavors such as sweet spicy and sour spicy to meet the needs of a wider range of consumers, which in turn promotes the development of the industry. In addition, there are a number of potential segments emerging in the spicy snack food industry, such as kelp, konjac and other spicy vegetable snacks. Benefitting from their healthy attributes, exquisite texture, and continuous upgrade of existing products and introduction of new products, such products are highly appealing to consumers. Among them, konjac products are gaining popularity owing to its healthy attributes of high dietary fiber, low carbohydrate and low fat content. According to the Frost & Sullivan Report, in 2021, China's per capita annual consumption of konjac was less than 0.1 kilogram, while Japan's per capita annual consumption was around 2.0 kilograms, indicating significant growth potential for konjac products in China.

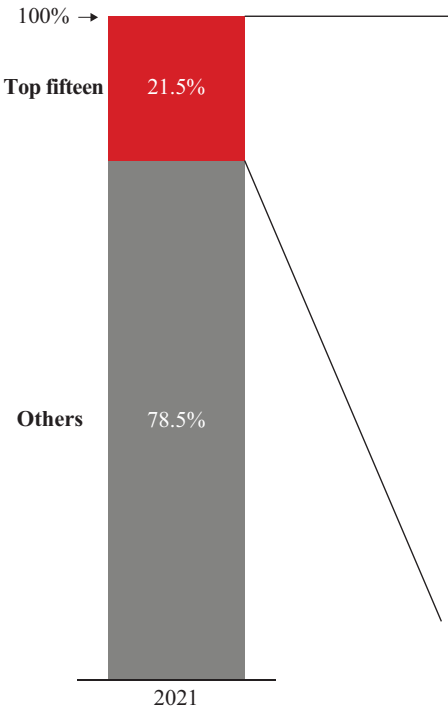
Improvement of Sales Channels. The accessibility of spicy snack food has been increased by the development of offline retail channels, including modern and traditional channels, especially the further penetration of the offline retail channels into lower-tier cities. Furthermore, online channels are growing rapidly owing to the rising online shopping demand from young consumers. The improvement of retail sales channels raises consumers' consumption frequency, gradually releasing the market potential in lower-tier cities. According to the Frost & Sullivan Report, the spicy snack food industry in lower-tier cities is expected to grow at a CAGR of 11.0% from 2021 to 2026, faster than the growth rate of the overall spicy snack food industry.

COMPETITIVE LANDSCAPE

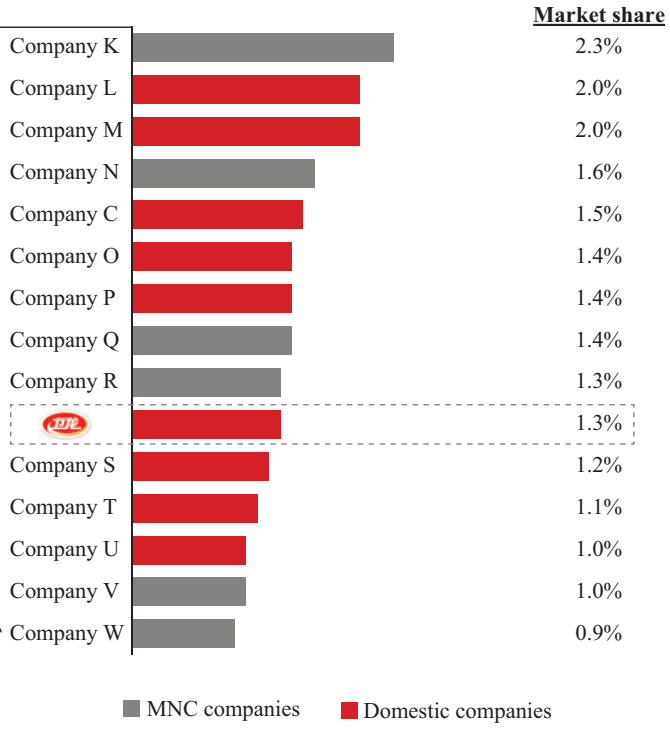
According to the Frost & Sullivan Report, the snack food market in China is relatively fragmented, with the top 15 players accounting for an aggregate market share of 21.5% in 2021 in terms of retail sales value. In 2021, we ranked 10th in China's snack food market, among approximately 3,000 domestic and MNC ("multinational companies") companies with a presence in China which had an annual revenue of over RMB20.0 million and we ranked sixth among all domestic companies, accounting for 1.3% of the overall market in terms of retail sales value.

Snack food market concentration, 2021

Market share by retail sales value



Market share of top fifteen players by retail sales value, 2021



Note: Top fifteen players in the snack food market in China in 2021 mainly included PepsiCo, Inc., Dali Food Group Company Limited, Want Want China Holdings Limited, Mars Inc. and Bestore Co., Ltd..
Source: Frost & Sullivan Report

- Company K is a subsidiary of a listed company on NASDAQ, with its China branch headquartered in Shanghai, Company K mainly produces and sells different types of snack and other food, such as beverages, potato chips, bottled water and other casual snacks. Company K was founded in 1988. Company K's listed parent company had around 291,000 employees globally and the registered capital of Company K was around USD16.8 million as of December 31, 2021.

- Company L is a listed company on Hong Kong Stock Exchange. Headquartered in Hui'an, Fujian Province, Company L mainly produces and sells different types of snack and other food, including biscuits, bread, potato chips and beverages. Founded in 1993, Company L had over 40,000 employees and the registered capital was around RMB1,450 million as of December 31, 2021.

- Company M is a listed company on Hong Kong Stock Exchange. Headquartered in Hong Kong, Company M is manufacturing, distributing and selling rice crackers, dairy products and beverages, snack food and other products. Founded in 2008, Company M had over 41,000 employees and the registered capital was around USD50.0 million as of December 31, 2021.

- Company N is a subsidiary of a private multinational company, with its China branch headquartered in Beijing, Company N mainly produces and sells different types of snack food, including chocolate, candies and other casual snack products. Founded in 1993, Company N had

around 13,000 employees and the registered capital was around USD61.0 million as of December 31, 2021.

- Company O is a listed company on Shenzhen Stock Exchange. Headquartered in Wuhu, Anhui Province, Company O mainly produces and sells nuts, preserved fruits, jujube products and beverages. Founded in 2012, Company O had over 4,600 employees and the registered capital was around RMB401.0 million as of December 31, 2021.

- Company P is a listed company on Shanghai Stock Exchange. Headquartered in Shenyang, Liaoning Province, Company P mainly produces and sells different kinds of snack food, including bread, cake and pastries and mooncakes. Founded in 1997, Company P had over 11,700 employees and the registered capital was around RMB952.2 million as of December 31, 2021.

- Company Q is a subsidiary of a listed company on Korean Stock Exchange, with its China branch headquartered in Langfang, Hebei Province, Company Q mainly produces and sells different types of snack food, including pies, cakes, puffed foods, candies and biscuits. Founded in 1995, Company Q had over 8,500 employees and the registered capital was around USD102.5 million as of December 31, 2021.

- Company R is a subsidiary of a listed company on Swiss Exchange, with its China branch headquartered in Beijing, Company R mainly produces and sells different types of snack and other food, including coffees, ice creams, bottled water, chocolates, candies and biscuits. Founded in 1995, Company R had over 26,000 employees and the registered capital was around RMB3,525 million as of December 31, 2021.

- Company S is a private company. Headquartered in Shenzhen, Guangdong Province, Company S mainly produces and sells different types of snack food, including jelly puddings, nori products, milk teas and chocolate cookies. Founded in 1998, Company S had over 15,000 employees and the registered capital was around RMB60.0 million as of December 31, 2021.

- Company T is a listed company on Shenzhen Stock Exchange. Headquartered in Hefei, Anhui Province, Company T mainly produces and sells different types of snack food, including sunflower seeds, nuts and leisure snacks. Founded in 2001, Company T had over 4,800 employees and the registered capital was around RMB507.0 million as of December 31, 2021.

- Company U is a private company. Headquartered in Jinjiang, Fujian Province, Company U mainly produces and sells different types of snack food, including bakery products, beverages and biscuits. Founded in 2014, Company U had over 12,000 employees and the registered capital was around RMB50.0 million as of December 31, 2021.

- Company V is a subsidiary of a private multinational company, with its China branch headquartered in Shanghai, Company V mainly produces and sells different types of snack food, including chocolates and candies. Company V was founded in 2007. Company V's listed parent company had over 34,000 employees globally and the registered capital of Company V was around USD2.0 million as of December 31, 2021.

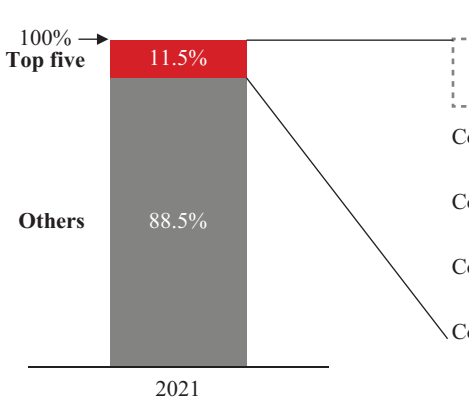
- Company W is a subsidiary of a private multinational company, with its China branch headquartered in Shanghai, Company W is the manufacturer and distributor of confectioneries and chewing gums. Founded in 1994, Company W had over 2,000 employees and the registered capital was around USD12.2 million as of December 31, 2021.

According to the Frost & Sullivan Report, the spicy snack food market in China is also relatively fragmented, with the top five players accounting for an aggregate market share of 11.5% in 2021 in terms of retail sales value. In 2021, we were the largest spicy snack food player in China with market share of 6.2%, 3.9 times of the second largest in terms of retail sales value, exceeding the aggregate market share of players ranked 2nd to 5th.

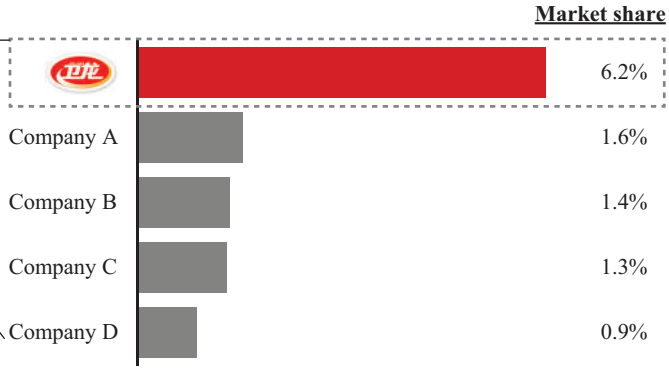
The charts below set forth the details of the concentration in China's spicy snack food market, and market shares of China's top five spicy snack food players by retail sales value in 2021:

Spicy snack food market concentration, 2021

Market share by retail sales value



Market share of top five players by retail sales value, 2021



Source: Frost & Sullivan Report

Note: The retail sales value of top five players refers to the retail sale value of packaged products. Top five players by retail sales value in the spicy snack food industry in China in 2021 included Juewei Food Co., Ltd, Bestore Co., Ltd, and YouYou Foods Co., Ltd.

- Company A is a listed company on Hong Kong Stock Exchange. Headquartered in Wuhan, Hubei Province, Company A mainly produces and sells different types of casual braised food, including braised duck-related products, braised eggs, braised vegetables and braised seafood products. Founded in 2006, Company A had over 4,300 employees and the registered capital was around RMB104.3 million as of December 31, 2021. Company A had over 2,700 retail stores and 4 manufacturing bases in China as of December 31, 2021.

- Company B is a listed company on Shanghai Stock Exchange. Headquartered in Changsha, Hunan Province, Company B mainly produces and sells different types of casual braised food, including duck necks, vegetable snacks and other casual braised products. Founded in 2008, Company B had over 4,800 employees and the registered capital was around RMB608.6 million as of December 31, 2021. Company B had over 13,000 retail stores in China as of December 31, 2021.

- Company C is a listed company on Shanghai Stock Exchange. Headquartered in Wuhan, Hubei Province, Company C mainly sells different types of casual snack food, including nuts, seafood

snacks, meat snacks, roasted seeds and preserved plums and fruits. Founded in 2010, Company C had over 11,000 employees and the registered capital was around RMB401.0 million as of December 31, 2021. Company C had over 2,900 retail stores in China as of December 31, 2021, among which around 900 were self-operated.

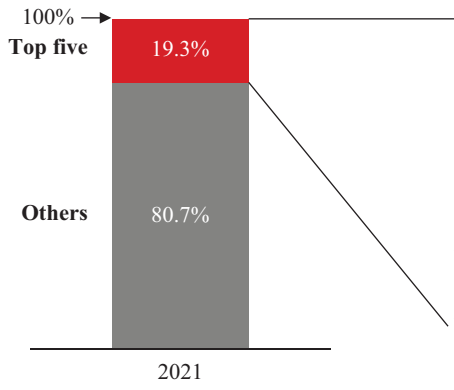
- Company D is a listed company on Shanghai Stock Exchange. Headquartered in Chongqing, Company D mainly produces and sells different types of snack food, including chicken feet with pickled peppers, seafood products and vegetable snacks. Founded in 2007, Company D had over 1,500 employees and the registered capital was around RMB308.5 million as of December 31, 2021. Company D generated around 95% of its total sales through offline retail channels during the year of 2021.

According to the Frost & Sullivan Report, we are the largest player in China's seasoned flour product market and spicy vegetable snacks market, respectively, in terms of retail sales value in 2021.

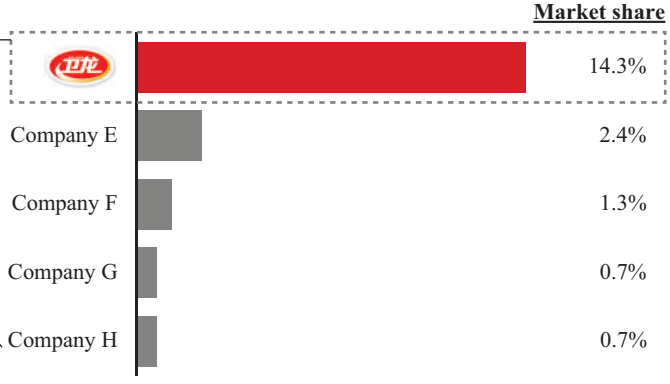
The top five players in China's seasoned flour product market accounted for an aggregate market share of 19.3%, in terms of retail sales value in 2021. We were the largest seasoned flour products player in China with 14.3% market share in 2021, 5.9 times of the second largest in terms of retail sales value, exceeding the aggregate market share of players ranked 2nd to 5th. The table below sets forth the details of market share of top five players in the seasoned flour product market in China by retail sales value in 2021:

Seasoned flour product market concentration, 2021

Market share by retail sales value



Market share of top five players by retail sales value, 2021



Source: Frost & Sullivan Report
Note: The retail sales value of top five players refers to the retail sales value of packaged products

- Company E is a private company. Headquartered in Xinzheng, Henan Province, Company E mainly produces and sells different types of spicy snack food, including seasoned flour products, konjac products, bean-based products, vegetable products and fish products. Founded in 2013, Company E had around 2,000 employees and the registered capital was around RMB100.0 million as of December 31, 2021.

- Company F is a private company. Headquartered in Guangzhou, Guangdong Province, Company F mainly produces and sells different types of spicy snack food, including seasoned flour products,

egg products, konjac products and kelp products. Founded in 2013, Company F had around 800 employees and the registered capital was around RMB10.0 million as of December 31, 2021. Company F had 3 manufacturing bases in Xiantao, Guangzhou and Pingjiang in China as of December 31, 2021.

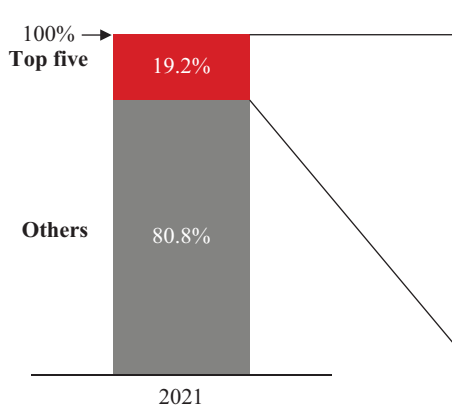
- Company G is a private company. Headquartered in Pingjiang, Hunan Province, Company G mainly produces and sells different types of spicy snack food, including seasoned flour products and fish products. Founded in 2000, Company G had over 1,200 employees and the registered capital was around RMB50.0 million as of December 31, 2021. Company G's main manufacturing base was located in Hunan Province as of December 31, 2021.

- Company H is a private company. Headquartered in Pingjiang, Hunan Province, Company H mainly produces and sells different types of spicy snack food, including seasoned flour products and bean-based products. Founded in 2007, Company H had over 1,200 employees and the registered capital was around RMB68.6 million as of December 31, 2021. Company H's main manufacturing base was located in Hunan Province as of December 31, 2021.

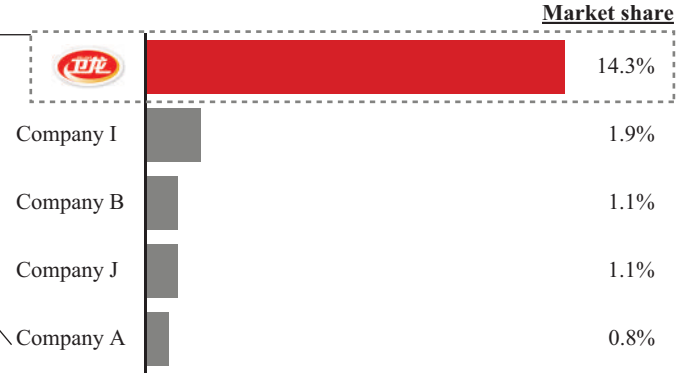
China's spicy vegetable snacks market is relatively fragmented, with the top five players accounting for an aggregate market share of 19.2% in terms of retail sales value in 2021. In 2021, we were the largest spicy vegetable snacks player in China with 14.3% market share, 7.6 times of the second largest in terms of retail sales value, exceeding the aggregate market share of players ranked 2nd to 5th. The table below sets forth the market share details of the top five spicy vegetable snacks players in China by retail sales value in 2021:

Spicy vegetable snacks market concentration, 2021

Market share by retail sales value



Market share of top five players by retail sales value, 2021



Source: Frost & Sullivan Report
Note: The retail sales value of top five players refers to the retail sales value of packaged products

- Company I is a private company. Headquartered in Chengdu, Sichuan Province, Company I mainly produces and sells different types of spicy snack food, including Sichuan flavor enoki mushroom, konjac products and bean-based products. Founded in 2001, Company I had 5 standard production lines and the registered capital was around RMB10.0 million as of December 31, 2021.

- Company J is a listed company on Shanghai Stock Exchange. Headquartered in Shanghai, Company J mainly produces and sells different types of casual snack food, including nuts, meat

snacks, roasted seeds and vegetable snacks. Founded in 2002, Company J had over 7,500 employees and the registered capital was around RMB336.8 million as of December 31, 2021. Company J had over 3,400 retail stores and around 2,200 of them were self-operated as of December 31, 2021.

ENTRY BARRIERS

The entry barriers of China's spicy snack food industry mainly include:

Brand and Reputation. Acquiring new consumers and increasing repurchase rate are of great importance to spicy snack food players in China, and brand image is a key factor affecting consumers' decision-making process. Effective promotion and marketing events can build up an impressive brand image and attract consumers. The leading spicy snack brands in China have cultivated a large and loyal consumer base who may not be easily persuaded to try other brands.

R&D Capability. Consumers' demand on taste for spicy snack food has been evolving amid consumption upgrade in China. Spicy snack food companies need to keep launching new products, which puts forth high requirements for R&D capabilities.

Distribution Network. It is crucial for spicy snack food companies in China to establish a widely covered and highly penetrated distribution network as it affects product availability, sales and profitability. Generally, establishment of a comprehensive distribution network requires highly experienced sales teams and strong relationship with regional distributors, both of which need long-term investment. Additionally, the entry barriers of modern retail channels, such as supermarkets and chained convenience stores, are rising due to increasing entry cost and market competition. The continuous penetration of e-commerce channels and growing competition between online and offline players will also pose a challenge to new entrants as they need the ability to quickly adapt to channel evolutions with timely strategies.

Supply Chain Management. Strong supply chain management capability can help spicy snack food companies better control product quality and manage costs. An integrated supply chain covering raw material procurement, production and distribution can significantly reduce cost and raise operational efficiency. It is arduous and time-consuming for new entrants to establish a comprehensive supply chain management system.

Management Capability. A large number of spicy snack food companies in China adopt nationwide expansion strategies to gain market share. To manage a large number of regional distributors and sales teams, competent management teams with substantial experience and industry insights are critical for building up effective systems and executing operation-optimizing initiatives such as periodic online and offline inspection, staff training, distributor assessment, among others.

SALES CHANNELS AND REGIONS

According to the Frost & Sullivan Report, the sales channels of China's spicy snack food primarily consist of four categories, including:

- Traditional channel, which mainly includes small grocery stores, non-chained convenience stores, wholesale markets, and mom-and-pop stores. These stores are typically owned and operated by individual merchants or households.

- Modern channel, which mainly includes shopping malls, supermarkets and chained convenience stores.

- E-commerce channel, which mainly refers to online sales platforms.

- Other channels, which mainly includes airports, train and bus stations, highway service areas, catering services channels, hotels, internet cafés, among others.

Traditional and modern channels account for the vast majority of China's spicy snack food market. In terms of retail sales value in 2021, traditional and modern channels accounted for 43.1% and 31.3% of the overall market respectively, while the e-commerce channel took up 12.4%. Supported by offline channels' further penetration into lower-tier cities and efficiency improvement, traditional and modern channels are expected to increase at a CAGR of 9.7% and 7.8% respectively from 2021 to 2026. Amid continuous online penetration and rising online shopping demand from young consumers, e-commerce channel is expected to grow at a CAGR of 15.4% from 2021 to 2026. The table below sets forth the retail sales value breakdown of China's spicy snack food market by channels from 2016 to 2026:

	Retail Sales Value			CAGR	
	2016	2021	2026E	2016-2021	2021-2026E
	(RMB billion)	(RMB billion)	(RMB billion)		
Traditional channel	48.9	74.6	118.3	8.8%	9.7%
Modern channel	39.0	54.2	78.9	6.8%	7.8%
E-commerce channel	8.8	21.4	43.8	19.5%	15.4%
Other channels	17.2	22.7	32.7	5.7%	7.6%
Total	**113.9**	**172.9**	**273.7**	**8.7%**	**9.6%**

Lower-tier cities account for the largest share of the overall spicy snack food market. The spicy snack food market at lower-tier cities accounted for 63.6% of the overall market in 2021 in terms of retail sales value. The spicy snack food market at lower-tier cities grew at a CAGR of 9.6% from 2016 to 2021, and is expected to grow at a CAGR of 11.0% from 2021 to 2026, which is higher than the growth rate of the spicy snack food market at Tier 1 and Tier 2 cities. The following table sets forth the retail sales value breakdown of China's spicy snack food market by city tiers from 2016 to 2026:

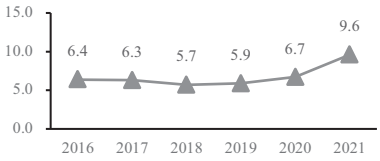
	Retail Sales Value			CAGR	
	2016	2021	2026E	2016-2021	2021-2026E
	(RMB billion)	(RMB billion)	(RMB billion)		
Tier 1 cities	15.9	21.7	29.5	6.4%	6.3%
Tier 2 cities	28.5	41.2	58.6	7.6%	7.3%
Lower-tier cities	69.5	110.0	185.6	9.6%	11.0%
Total	**113.9**	**172.9**	**273.7**	**8.7%**	**9.6%**

RAW MATERIALS

Soybean oil, flour and kelp are some of the important raw materials for spicy snack food. The following charts set forth the average annual prices of soybean oil, flour and kelp in China from 2016 to 2021:

Average price of China soybean oil from 2016 to 2021

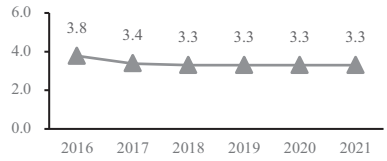
Unit: RMB / kilogram



Source: China National Grain & Oils Information Center, Frost & Sullivan Report

Average wholesale price of China flour from 2016 to 2021

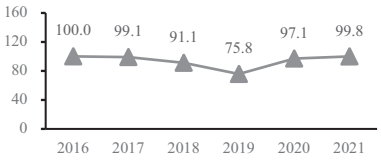
Unit: RMB / kilogram



Sources: Ministry of Agriculture, Frost & Sullivan Report

China kelp wholesale price index from 2016 to 2021

Unit: Rebase to 2016 price level (100)



Sources: Price Bureau of Shandong Province, Frost & Sullivan Report

According to the Frost & Sullivan Report, soybean oil price showed a decreasing trend from RMB6.4/kg in 2016 to RMB5.7/kg in 2018 mainly attributed to the increasing supply of beans and rebounded to RMB9.6/kg in 2021 led by the increasing soybean price in the international market as China relies on imported soybean to a large extent; the average wholesale price of flour maintained relatively stable over the past five years; the price index for kelp declined from 2016 to 2019, and then bounced back from 2020 to 2021 primarily due to the increasing market demand for kelp-made snacks.

CONSUMER SURVEY

From February 2021 to March 2021, we commissioned Frost & Sullivan to conduct online and offline questionnaire surveys with 2,220 participants randomly selected across different cities in China to better understand product preferences and the market from a consumer's perspective. The details of the survey conducted by Frost & Sullivan are set forth below.

Snack Food Consumption Frequency

81.9% of the respondents said they would consume snacks at least once a week and 34.6% of the respondents said they would consume snacks at least 2-3 times a week.

Flavor and Category Preference

- Spicy is one of the top flavors that consumers would choose when purchasing snack products.
- Seasoned flour products have become one of the favorite snack foods for consumers in China. 48.3% of the respondents said that they liked seasoned flour products.
- Among the respondents born after 1995, 14.6% said seasoned flour products is their favorite, ranking 2nd among all snack food categories; among the respondents born after 1985, 11.7% said that seasoned flour products is their favorite, ranking 3rd among all snack food categories.

Weilong's Consumer Base

According to the consumer survey conducted in 2021:

- 95.0% of Weilong's consumers were at or under the age of 35.

- 55.0% of Weilong's consumers were at or under the age of 25, making up the majority of Weilong's consumer base.

Brand Awareness

- Weilong is the most well-recognized and favored brand in China's spicy snack food market.
- Weilong is the most well-recognized brand in China's seasoned flour product market.
- Weilong is the most well-recognized brand in China's spicy vegetable snack market.

Consumer Satisfaction

- Weilong is the most satisfying brand for consumers in China's spicy snack food market.
- Weilong is the most satisfying brand for consumers in China's seasoned flour product market.
- 98.0% of the respondents who have consumed Weilong said that they would like to consume the products of Weilong again in the future.

According to the Frost & Sullivan Report, the survey was conducted through multiple channels including online and offline questionnaire surveys, and participants were randomly selected to ensure a fair and extensive coverage. Such process is closely monitored to ensure the collection of sufficient effective samples. According to the Frost & Sullivan Report, all of the 2,220 participants are effective samples, which are sufficient to better understand product preferences and the spicy snack food market from a consumer's perspective, and are comparable to other similar surveys in the food industries.

SOURCES OF INDUSTRY INFORMATION

We commissioned Frost & Sullivan to conduct a detailed analysis of China's snack food industry and China's spicy snack food industry and compile the Frost & Sullivan Report. During the compilation of the Frost & Sullivan Report, Frost & Sullivan conducted primary and secondary researches, and obtained knowledge, statistics, information and industry insights about the industry trends of China's snack food market and China's spicy snack food 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. The Frost & Sullivan Report is compiled based on the following assumptions: (1) China's economy is likely to maintain a steady growth in the next decade; (2) China's social, economic and political environment is likely to remain stable in the forecast period; and (3) market drivers like rising purchasing power due to rising disposable income, increasing urbanization rate, continuous launch of new products, and improving retail channels are likely to drive the growth of China's snack food industry.

As part of the compilation of the Frost & Sullivan Report, we also commissioned Frost & Sullivan to conduct online and offline questionnaire surveys with 2,220 consumers randomly selected in China to better understand the product preferences and market from a consumer's perspective ("the Survey").

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. We have contracted to pay Frost & Sullivan a fee of RMB880,000 for compiling the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section and in the "Summary", "Risk Factors", "Business", "Financial Information" and other sections of this document in order to provide a more comprehensive overview of the industry in which we operate.

LAWS AND REGULATIONS APPLICABLE TO ESTABLISHMENT, OPERATION AND MANAGEMENT OF OUR GROUP COMPANIES IN THE PRC

PRC Company Law and foreign investment

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》), which was adopted by the SCNPC on December 29, 1993 and with effect from July 1, 1994. It was last amended on October 26, 2018 and with effect from the same day and the Regulation of the PRC on the Administration of the Registration of Market Entities (《中華人民共和國市場主體登記管理條例》), which was promulgated on July 27, 2021 and became effective on March 1, 2022. According to the aforesaid laws and regulations, companies are generally classified into two categories – limited liability companies and companies limited by shares. Foreign invested limited liability companies are also governed by the aforesaid laws and regulations unless otherwise specified in the relevant laws regarding foreign investment.

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, the "**Foreign Investment Law**") adopted at by the National People's Congress of the PRC (中華人民共和國全國人民代表大會) on March 15, 2019 and came into force on January 1, 2020, the State shall implement the management systems of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to the treatment given to foreign investors and their investments during the investment access stage, which is not lower than that given to their domestic counterparts. The negative list refers to special administrative measures for the access of foreign investment in specific fields as stipulated by the State. The State shall give national treatment to foreign investment beyond the negative list. The organization form, institutional framework and standard of conduct of a foreign-funded enterprise shall be subject to the provisions of the PRC Company Law and the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》), and other laws. Foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment. For any field restricted by the negative list, foreign investors shall conform to the investment conditions as required in the negative list, and fields not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly.

Along with the Foreign Investment Law's coming into effect on January 1, 2020, the Law on 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 Law on Wholly Foreign-owned Enterprises of the PRC (《中華人民共和國外資企業法》) and the Law on Sino-Foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) were repealed simultaneously, and foreign-funded enterprises which were established in accordance with such laws before the implementation of the Foreign Investment Law may retain their original organization forms and other aspects for five years upon the implementation hereof.

On December 26, 2019, the Implementing Regulations of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》, the "**Implementing Regulations**") was promulgated by the State Council and came into effect on January 1, 2020, which further replaced the Implementing Regulations of the Law of the PRC on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法實施條例》), the Interim Provisions on the Joint Operation Period of Sino-foreign Equity Joint Ventures (《中外合資經營企業合營期限暫行規定》), the Rules for the Implementation of the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法實施細則》) and the Rules for the Implementation of the Law of the PRC on Sino-foreign Cooperative

Joint Ventures (《中華人民共和國中外合作經營企業法實施細則》). According to the Implementing Regulations, the registration of a foreign-invested enterprise shall be processed pursuant to the law by the market regulation department of the State Council or its authorized local counterparts. A foreign investor or a foreign-invested enterprise shall submit investment information to the competent commerce department via the enterprise registration system and the enterprise credit information publicity system. The Foreign Investment Law and the Implementing Regulations also apply to the investment made by a foreign-invested enterprise in the PRC.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》, the "**Reporting Measures**"), which came into effect on January 1, 2020 and replaced the Provisional Measures on Record-filing Administration over the Establishment 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》) simultaneously. Pursuant to the Reporting Measures, a foreign investor or a foreign-invested enterprise shall report investment information by submitting initial report, changing report, deregistration report, annual report and etc.

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, which sets forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the security review will be established under the NDRC, who will lead the task together with the MOFCOM. Foreign investor or relevant parties in the PRC must declare the security review to the Office of the Working Mechanism prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defense, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. Control exists when the foreign investor (i) holds over 50% equity interests in the target, (ii) has voting rights that can materially impact on the resolutions of the board of directors or shareholders meeting of the target even when it holds less than 50% equity interests in the target, or (iii) has material impact on target's business decisions, human resources, accounting and technology.

The Catalog of Industries for Guiding Foreign Investment

The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Edition) (《外商投資准入特別管理措施(負面清單) (2021年版)》), the "**Negative List (2021 Edition)**") was jointly promulgated by the NDRC and the MOFCOM on December 27, 2021, which came into effect on January 1, 2022 and replaced the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Edition) (《外商投資准入特別管理措施(負面清單) (2020年版)》). The Catalog of Industries for Encouraging Foreign Investment (2020 Edition) (《鼓勵外商投資產業目錄(2020年版)》, the "**Encouraging Catalog (2020 Edition)**" was jointly promulgated by the NDRC and the MOFCOM on December 27, 2020 which came into effect on January 27, 2021 and replaced the Catalog of Industries for Encouraging Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄(2019年版)》). The Negative List (2021 Edition) and the Encouraging Catalog (2020 Edition) contain specific provisions guiding market access of foreign capital, stipulating in detail the rules

of entry according to the categories of encouraged industries, restricted industries and prohibited industries. Industries not listed in the Negative List (2021 Edition) are generally open to foreign investment unless specifically prohibited or restricted by other PRC laws and regulations. Foreign investment in the encouraged category is entitled to certain preferential treatment and incentives extended by the government, while foreign investment in the restricted category is permitted but subject to certain restrictions under the PRC Laws. Foreign investment in the prohibited category is not allowed.

M&A Rules

On August 8, 2006, the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE jointly promulgated the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》, the "**M&A Rules**"), which came into effect on September 8, 2006 and amended on June 22, 2009. According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (1) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (4) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares or equity interest in the PRC companies in exchange for the shares of offshore companies. Pursuant to article 11 of the M&A Rules, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM.

LAWS AND REGULATIONS APPLICABLE TO FOOD PRODUCTION, SALE AND SAFETY

Licensing system for food production and sale

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》, the "**the Food Safety Law**"), which was promulgated by the SCNPC on February 28, 2009, and last amended on April 29, 2021 and entering into force since the same day and the Implementing Rules on 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 Rules on the Food Safety Law**"), which was promulgated by the State Council on July 20, 2009 and amended on February 6, 2016 and October 11, 2019, with effect from December 1, 2019, the state adopts a licensing system for food production and sale. To engage in food production, food sale and catering services, a license shall be obtained in accordance with the law. According to the Measures for the Administration of Food Production Licensing (《食品生產許可管理辦法》), which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局), which has been integrated to form the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), on January 2, 2020 with effect from March 1, 2020, the validity term for a food production license is five years. If the enterprise that has the food production license needs to

extend the validity term of its legally obtained food production license, it shall file an application for replacement of the license with the original licensing authority within 30 working days prior to the expiry of the validity term of the food production license. Where no application is filed for extension of the license upon expiry of the validity term, the original licensing authority shall conduct the cancelation procedures of the food production license.

In accordance with the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》) promulgated by the CFDA, on August 31, 2015, amended on November 17, 2017 and came into force from the same day, a food operation license shall be obtained to engage in food selling and trading business in the PRC. Application of the food operation license shall be filed according to the classification of types of operation and operation projects of the food operators.

On November 29, 2021, the SAMR promulgated the Announcement on Matters relating to the Record-filing for the Sale of Only Pre-packaged Food (《關於僅銷售預包裝食品備案有關事項的公告》), which stipulates that an entity trading in food but only for sale of pre-packaged food shall apply for the record-filing when registering for market entity registration. The record-filing formalities shall be completed before carrying out such businesses. Those who have obtained food operation licenses are not required to go through the record-filing before the expiration of their food operation licenses.

Personnel health management system

In accordance with the Food Safety Law, food producers and operators shall establish and implement a personnel health management system. The personnel suffering from disease that affects food safety according to the regulations of the health administration department under the State Council shall not engage in work that involves contact with ready-to-eat food. The personnel who engage in work that involves contact with ready-to-eat food shall have physical check-up each year and shall obtain healthy certificates prior to working.

Procurement inspection record system and food pre-delivery examination record system

According to the Food Safety Law as well as the Implementing Rules on the Food Safety Law, when purchasing food raw materials, food additives and food-related products, food producers shall check the licenses and food eligibility certification documents of the suppliers. The food raw materials whose eligibility certification documents are unavailable shall be inspected in accordance with the food safety standards; no food raw materials, food additives or food-related products that fail to meet the food safety standards may be procured or used. Food production enterprises shall establish a procurement inspection record system of food raw materials, food additives and food-related products, and truthfully record the names, specifications, quantities, production date or batch numbers, shelf life, names, address and contact information of suppliers, dates of purchase, etc. of the food raw materials, food additives and food-related products. The procurement inspection records of food raw materials, food additives and food-related products shall be true, and shall be kept for at least six months after the expiration of the shelf life; if there is no explicit shelf life, the records shall be kept for at least two years. Food production enterprises shall establish a food pre-delivery examination record system, to check the inspection certificates and the safety conditions of pre-delivery food and truthfully record the names, specifications, quantities, dates of production or batch numbers, shelf life, numbers of inspection certificates, names, address and contact methods of purchasers, dates of sales, etc. of the food. The food pre-delivery

examination records shall be true, and shall be kept for at least six months after the expiration of the shelf life; if there is no explicit shelf life, the records shall be kept for at least two years.

Food Safety

According to the Food Safety Law, food producers shall inspect the food produced by themselves in accordance with food safety standards. Food producers may either carry out inspection on the food on their own or entrust the inspection to a food inspection institution complying with the provisions of relevant laws.

The packages of pre-packed food

According to Food Safety Law, the packages of pre-packed food shall bear labels. The labels shall state the following matters, such as name, specifications, net content and date of production; list of ingredients or components; producer's name, address and contact details; shelf life; product standard code; storage conditions; the general name of the food additives used in the national standards; serial number of food production license; and other items that must be indicated according to laws, regulations or food safety standards. The labels of the staple and supplementary food exclusively for infants and babies and other specific groups of people shall also indicate the principal nutritional ingredients and their contents.

Food recall system

Also under the Food Safety Law as well as the Implementing Rules on the Food Safety Law, the Administrative Measures for Food Recall (《食品召回管理辦法》) was promulgated by the CFDA on March 11, 2015 and entered into force on September 1, 2015, and last amended on October 23, 2020. The Administrative Measures for Food Recall provides the detailed rules on the food recall system. Where a food producer finds that the food produced by it does not comply with the food safety standards, it shall immediately stop the production, recall the food on the market for sale, notify the relevant producers and traders, as well as consumers, and record the recall and notification.

Where a food trader finds that the food traded by it does not comply with the food safety standards, it shall immediately stop the trading, notify the relevant producers and traders, as well as consumers and record the cessation of trading and the notification. Where the food producers consider that the food should be recalled, the food shall be recalled immediately. The food producers shall take such measures as remedy, destruction and harmless treatment for the recalled food, and report the recalling and treatment of the recalled food to the quality supervision department at or above the county level. Where the food producers or traders fail to recall or stop trading of the food failing to comply with the food safety standards in accordance with the provisions of the Food Safety Law as well as the Implementing Rules on the Food Safety Law, the food safety supervision and administration departments at or above the county level shall order them to recall or stop trading.

Food import and export

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated by the SCNPC on May 12, 1994, and was last amended on November 7, 2016 with effect from the same day, foreign trade dealers engaged in the import and export of goods or technologies shall register for record with the

authority responsible for foreign trade under the State Council or its authorized bodies unless laws, regulations and the authority responsible for foreign trade under the State Council exempt such registration for record. Where foreign trade dealers fail to register for record as required, the customs authority shall not process the procedures of declaration, examination and release of the imported and exported goods.

Under the Food Safety Law as well as the Implementing Rules on the Food Safety Law, the imported food, food additives and food-related products shall meet the national food safety standards of the PRC. A food importer shall apply for inspection with the entry and exit inspection and quarantine institution at the place of customs declaration by presenting necessary vouchers and relevant approval documents such as contract, invoices, packing note, bill of lading, etc.. The food imported shall pass the inspection conducted by the entry and exit inspection and quarantine institution. For any food that is imported which are not regulated by the requirements of the national food safety standards, the overseas exporter, overseas food producer or its entrusted importer shall file and submit the applicable standards of relevant countries (regions) or international standard to the health administration department under the State Council.

The imported pre-packed food and food additives shall be accompanied with labels and instructions (if the instructions are required under relevant PRC laws and regulations) written in Chinese. The labels and instructions shall be consistent with the provisions of the Food Safety Law as well as the Implementing Rules on the Food Safety Law and other relevant laws and administrative regulations of the PRC and the requirements of the national food safety standards, and indicate the origin of food and name, address and contact methods of the domestic agent. Where any pre-packed food is not accompanied with labels or instructions in Chinese or the labels or instructions are not consistent with the requirements, the pre-packed food shall not be imported. The importer shall establish a food and food additives import and sale record system to truthfully record the names, specifications, quantities, dates of production, batch numbers of production or import, shelf life, names, address and contact methods of exporters and purchasers, dates of delivery, etc. of the food and food additives. Such import and sale records shall be true, and shall be kept for at least six months after the expiration of the shelf life; if there is no explicit shelf life, the records shall be kept for at least two years.

The food to be exported shall be subject to supervision and sample inspection of the entry and exit inspection and quarantine institution. The customs office shall release the food on the basis of a customs clearance certificate issued by the institution for entry and exit inspection and quarantine. The production enterprises of exported food shall guarantee that their exported food has met the standard of the importing country (region) or the requirements in their contract. The production enterprises of exported food and the planting and breeding farms of raw materials for exported food shall file a record with the entry and exit inspection and quarantine department of the State.

Pursuant to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), which was adopted by the General Administration of Customs on November 19, 2021 and effective from January 1, 2022, customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises recorded with the customs. If the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities; among them, if the consignees and consignors of import and export goods apply for recordation, they shall also obtain the recordation of the foreign trade operators. The

recordation of the customs declaration entities is valid for a long period of time, while the temporary recordation is valid for one year, after the expiry re-application of recordation can be made.

Online Food Safety

According to the Administrative Measures for Online Trading (《網絡交易監督管理辦法》) promulgated by the SAMR on March 15, 2021 and became effective on May 1, 2021, online transaction operators shall disclose product or service information comprehensively, truthfully, accurately, and in a timely manner to protect consumers' right to know and to choose. Online trading operators who carry out online trading activities through online social networking, webcasting, and other online services shall display goods or services, their actual business entities, after-sales service, and other information in a conspicuous manner, or the link identification of the above-mentioned information.

According to the Measures on the Punishments and Disciplinary Actions for Online Food Safety (《網絡食品安全違法行為查處辦法》) promulgated by the CFDA on July 13, 2016 and last amended on April 2, 2021 and with effect from June 1, 2021, SAMR takes charge of the supervision and guidance of the investigation and punishment on illegal conducts concerning online food safety nationwide, and the local market regulatory authorities at and above the county level take charge of the investigation and punishment on illegal conducts concerning online food safety within their administrative regions.

Supervision on the use of food additives

Pursuant to the Food Safety Law, no food additive may be used in food unless it is technically deemed necessary and has been proven to be safe and reliable upon risk assessments. The relevant national food safety standard shall be revised, on the basis of the technical requirements and the results of the food safety risk assessments, in a timely manner. A food producer should use food additives in accordance with the national food safety standards.

According to the Measures for the Administration of New Varieties of Food Additives (《食品添加劑新品種管理辦法》) which was promulgated by the Ministry of Health of the PRC (中華人民共和國衛生部) on March 30, 2010 and amended on December 26, 2017, new varieties of food additives refer to the varieties which are not included by food safety national standards, or not listed in the permitted use catalog announced by NHFPC, or the varieties whose scope or dosage has been enlarged. The NHFPC is responsible for the examination and permission of the application submitted by enterprises or individuals who are engaging in producing, operating, using or importing new varieties of food additives. Based on the technical features and food safety risk analysis of the above-mentioned new variety of food additives, the NHFPC shall make public and announce the permitted food additives varieties, scope of use and dosage of food additives varieties to be permitted under the food safety national standards. The NHFPC shall, based on the technical necessity and food safety risk assessment results, make and publish the varieties whose use has been permitted by announcement as well as the range of use and dosage thereof as food safety national standards by the procedure of food safety national standards. The NHFPC shall make a timely reassessment when safety problems of food varieties caused are proved by scientist research or supported by other proof, or the technical need is on longer essential. Approved varieties of food additives may have the relevant approval revoked and the scope of use and dosage may be revised by the NHFPC if the applicant fails the re-examination.

Food Advertisement

According to the Advertising Law of the PRC (《中華人民共和國廣告法》) promulgated by SCNPC on October 27, 1994 and most recently revised on April 29, 2021, advertisement shall not contain any false or misleading information, and shall not deceive or mislead consumers. Each advertiser, advertising agent or advertisement publisher shall, when engaging in advertising activities, comply with laws and regulations, act in good faith, and conduct fair competition. In any advertisement, where there are statements regarding the performance, function, place of origin, purpose, quality, ingredients, price, producer, valid period and guarantees of the product, or the content, provider, form, quality, price and guarantees of the service, such statements shall be accurate, clear and explicit. Where an advertising agent or advertisement publisher designs, produces, provides agency for or publishes an advertisement even though it knows or should know the advertisement is in violation of the foregoing provisions, the market regulation department shall order the cessation of the publishing of advertisements and impose fines of not more than RMB100,000.

Product quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (《中華人民共和國產品質量法》, the "**Product Quality Law**"), which was promulgated by the SCNPC on February 22, 1993 and last amended on December 29, 2018 with effect from the same day.

The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law. According to the Product Quality Law, consumers or other victims who suffer personal injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility for product defects lies with the producer, the seller have the right to recover such compensation from the producer if they take the responsibility and make a compensation, and vice versa. Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend operation and its business license may be revoked. Criminal liability may be incurred in serious cases.

Production safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, taking effect from November 1, 2002 and amended on August 27, 2009, August 31, 2014 and June 10, 2021 and became effective on September 1, 2021, the containers or transportation tools of hazardous substances that any production and business operation entity uses must, according to the relevant provisions of the State, be manufactured by specialized production entities, and may only be put into use after they have passed the inspections and tests of those inspections and testing institutions that are equipped with professional qualifications and obtained a certificate for safe use or a mark of safety label. In addition, the production, business operation, transportation, storage, use of dangerous substances or disposal of or abandonment of dangerous substances shall be subject to the examination and approval as well as the supervision and management of the relevant administrative departments according to the provisions of the relevant laws and regulations, national standards, or industrial standards.

LAWS AND REGULATIONS APPLICABLE TO TAXATION

Enterprise Income tax

According to the Enterprise Income Tax Law (《中華人民共和國企業所得税法》, the "**EIT Law**") and the Implementation Rules of the EIT Law (《中華人民共和國企業所得税法實施條例》), the income tax for both domestic and foreign-owned enterprises is at the same rate of 25% effective from January 1, 2008. A PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are non- resident enterprises (who do not have an establishment or place of business in the PRC, or who have an establishment or place of business in the PRC but whose income has no actual relationship with such establishment or place of business) to the extent that such dividends have their sources within the PRC unless otherwise provided in any applicable tax treaty. Similarly, any gain realized on the transfer of equity interests by such investors is subject to the PRC enterprise income tax at the rate of 10% if such gain is regarded as income derived from the PRC.

Value-added tax

Pursuant to the Pilot Proposals for the Collection of Value-Added Tax in Lieu of Business Tax (《營業税改徵增值税試點方案》) issued jointly by the Ministry of Finance of the PRC (中華人民共和國財政部) and the SAT on November 16, 2011 and with effect from November 16, 2011, the pilot program shall be initiated on January 1, 2012, and timely improve the program according to the circumstances and choose a right time to expand the scope of the pilot program. The pilot program shall be conducted in the production-oriented service industries such as the transportation industry and some modern service industries in the pilot regions and gradually spread to other industries. On the basis of the current standard value-added tax ("**VAT**") rate of 17% and low VAT rate of 13%, two low tax rates of 11% and 6% shall be added. The tax rate of 17% shall be applicable to those like lease of tangible personal property, the tax rate of 11% shall be applicable to the transportation industry and the construction industry, and the tax rate of 6% shall be applicable to other modern service industries. Up to August 1, 2013, the scope of the pilot for the Collection of Value- Added Tax in Lieu of Business Tax program had expanded to the whole country.

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》) which was promulgated by the State Council on December 13, 1993 and last amended on November 19, 2017 with effect from the same day and the Implementing Rules of the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例實施細則》) which was promulgated by the Ministry of Finance of the PRC (中華人民共和國財政部) on December 25, 1993, came into effect on January 1, 1994, and was last amended on October 28, 2011, all entities or individuals in the PRC engaging in the sale of goods, services, intangible assets or real estate, the provision of processing, repairing and replacement services, and the importation of goods are required to pay VAT. The amount of VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is 17% for those engaging in the sale or importation of goods, provision of processing, repairing and replacement services, or lease of tangible personal property, except as otherwise provided in the Provisional Regulations on Value-added Tax of the PRC.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、税務總局關於調整增值税税率的通知》) promulgated on April 4, 2018 and taking effect from May 1, 2018, a taxpayer who is previously subject to VAT rates of 17% and 11% respectively

on VAT-taxable sales activities or imported goods shall have the applicable tax rates adjusted to 16% and 10% respectively. As regards exported goods that are previously subject to VAT rate of 17% and are eligible for export tax rebate of 17%, their export tax rebate shall be adjusted to 16%. As regards exported goods and cross-border taxable activities that are previously subject to VAT rate of 11% and are eligible for export tax rebate of 11%, their export tax rebate shall be adjusted to 10%.

According to the Announcement on Policies related to Deepening VAT Reform (《關於深化增值税改革有關政策的公告》), which was promulgated on March 20, 2019 and became effective on April 1, 2019, VAT general taxpayers who conduct VAT taxable sales or import goods subject to a 16% tax rate will enjoy an adjusted tax rate of 13% while those subject to a 10% tax rate will enjoy an adjusted tax rate of 9%. For export goods subject to a 16% tax rate and export tax rebate rate of 16%, the export tax rebate rate will be adjusted to 13%; while for exported goods or cross-border taxable behaviors subject to a 10% tax rate and export tax rebate rate of 10%, the export tax rebate rate will be adjusted to 9%.

Tax Refund (Exemption) of Exported Goods

The Circular of the State Administration of Taxation on Issuing the Measures for the Administration of Tax Refund (Exemption) of Exported Goods (For Trial Implementation) (《國家税務總局關於印發<出口貨物退(免)税管理辦法(試行)>的通知》, the "**Measures**") was adopted by the SAT on March 16, 2005, came into force on May 1, 2005 and was partially amended on June 15, 2018. The Measures established the subject of tax refund (exemption), namely the goods exported by an exporter on his own or by means of entrustment, and it also established the declaration and acceptance, the examination, verification and approval of tax refund (exemption) of exported goods.

When an exporter, within the prescribed period, collects all the documentations as required for the tax refund (exemption) of exported goods to apply to the tax authority for handling the formalities for tax refund (exemption) of exported goods, the tax authority shall carry out a preliminary examination. After accepting, the tax authority shall provide a return receipt for the exporter and make a registration of the declaration of tax refund (exemption) of exported goods. The tax authority shall, after accepting a declaration of tax refund (exemption) of exported goods, carry out the examination on the legality and accuracy of declaration certificates and materials within the prescribed time limit and shall verify the logic corresponding relation between the declaration data. After an examination on the certificates and materials of tax refund (exemption) of exported goods, the tax authority will conduct a computer examination by comparison with the special VAT invoice and the Payment of Consumption Taxes (exclusively used for exported goods) transferred by the SAT and the relevant departments.

Environmental Protection Tax Law

The Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護税法》) was issued by the SCNPC on December 25, 2016 and took into effect from January 1, 2018, and was amended and became effective on October 26, 2018. This law requires enterprises, public institutions and other producers/operators that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas under the jurisdiction of the PRC to pay such environment protection tax in accordance with the provisions of this law.

LAWS AND REGULATIONS APPLICABLE TO FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign currency exchange

The principal regulation governing foreign currency exchange in the PRC is the Regulations on the Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》, the "**Foreign Exchange Administration Regulations**"), which was promulgated by the State Council) on January 29, 1996, took effect from April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Under the Foreign Exchange Administration Regulations, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Regulations, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or record-fillings with the relevant governmental authorities (if necessary).

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Administration Method of the Settlement of Foreign Currency Capital by Foreign-invested Enterprises (《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**") which became effective on June 1, 2015. SAFE Circular 19 provides greater flexibility to foreign-invested enterprises ("**FIEs**") in converting foreign exchange in their capital account into Renminbi, and in particular, it provides that FIEs are allowed to use their converted Renminbi to make equity investments in China after performing relevant procedures as stipulated in it. Under SAFE Circular 19, FIEs may choose to convert any amount of foreign exchange in their capital account into Renminbi according to their actual business needs. The converted Renminbi will be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks. FIEs are still required to use the converted Renminbi within their approved business scope.

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange 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 reiterates some of the rules set forth in SAFE Circular 19. 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 Renminbi 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.

On October 23, 2019, SAFE issued the Notice on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》, the "**SAFE Circular 28**"), which expressly allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as the investments are real and in compliance with the foreign investment-related laws and regulations. In addition, SAFE Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments.

On November 19, 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》, the "**SAFE Circular 59**"), which became effective on December 17, 2012 and was amended on October 10, 2018. SAFE Circular 59 substantially amends and simplifies the current foreign exchange procedure. According to SAFE Circular 59, the opening of various special purpose foreign exchange accounts (e.g. pre-investment expenses account, foreign exchange capital account, asset realization account, guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. Reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE's approval.

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Control of Domestic Residents' Overseas Investment and Financing and Roundtrip Investment through Offshore Special Purpose Vehicles, or SAFE Circular No. 37 (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, the "**SAFE Circular 37**"). According to SAFE Circular 37, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On February 13, 2015, the Circular of Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》, the "**SAFE Circular 13**") was promulgated by the SAFE and took effect on June 1, 2015. Pursuant to the SAFE Circular 13, the administrative examination and approval procedures relating to the foreign exchange registration approval

under domestic direct investment and the foreign exchange registration approval under overseas direct investment are canceled and direct investment-related foreign exchange registration is directly reviewed and handled by banks. Further, the procedures for some direct investment-related foreign exchange businesses are simplified under the SAFE Circular 13, e.g. the annual inspection of direct investment-related foreign exchange is canceled and registration of existing equity shall be adopted instead.

Share Option

On February 15, 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》, the "**Stock Option Rules**"). In accordance with the Stock Option Rules and relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, must register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. In addition, the State Administration of Taxation has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares vest, will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income tax of these employees related to their share options or restricted shares. If the employees fail to pay, or the PRC subsidiaries fail to withhold, their individual income tax in accordance with relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

Dividend distribution

The PRC and the government of Hong Kong SAR signed Arrangement between the Mainland of the PRC and Hong Kong Special Administrative Region for 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. According to the Arrangement, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests of the PRC company. Furthermore, pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the SAT and took effect from February 20, 2009, all of the following requirements should be satisfied to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement: (a) the tax resident of the other party who obtains dividends shall be limited to company in accordance with the tax agreement; (b) the total amount of the owner's equities and the voting shares directly owned by such a tax fiscal resident reaches a specified percentage; and (c) the equity interests of the Chinese resident company directly owned by such a tax resident, at any time during the twelve months prior to the receipt of the dividends, reach the percentage specified in the tax agreement.

In addition, according to the Administrative Measures for Enjoying Treatment Under Treaties by Non-resident Tax-payers (《非居民納税人享受協定待遇管理辦法》) which was promulgated by the SAT on October 14, 2019 and became effective on January 1, 2020, qualified non-resident tax-payers can enjoy treatment under Taxation Treaties by themselves when filing tax declarations, or making withholding declarations by withholding agents, and be subjected to the subsequent management of the taxation authority.

LAWS AND REGULATIONS APPLICABLE TO CONSUMER PROTECTION AND COMPETITION LAW

Consumer protection

The principal legal provisions for the protection of consumer interests are set out in 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, took effect from January 1, 1994 and was amended on August 27, 2009 and October 25, 2013.

According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities or receive services for the purposes of daily consumption are protected and all manufacturers and distributors involved must ensure that the products and services they provide will not cause damage to the safety of consumers and their properties. Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business license will be revoked. Criminal liability may be incurred in serious cases.

According to the Part VII tort liability of the Civil Code of the People's Republic of China (《中華人民共和國民法典》) promulgated by the National People's Congress on May 28, 2020 and became effective on January 1, 2021, in the event of an injury caused by a defective product, either the manufacturer or seller of such product, as a tortfeasor, may be subject to tortious liability and relevant remedies seeking by the consumers. If the product defect is caused by the manufacturer, the manufacturer shall be held responsible and the seller, if having made the compensation, shall be entitled to seek reimbursement from the manufacturer. If, on the other hand, the defects of the products are caused by the fault of the seller, the seller shall be held responsible and the manufacturer, if having made the compensation, shall be entitled to seek reimbursement from the seller.

Competition law

Competitions among the business operators are generally governed by the Law of the PRC for Anti-Unfair Competition (《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, took effect from December 1, 1993 and was amended on November 4, 2017 and April 23, 2019. According to the Anti-Unfair Competition Law, when trading in the market, operators should abide by the principles of involuntariness, equality, fairness, honesty, and credibility, and abide by laws and recognized business ethics. An operator, in violation of the Anti-Unfair Competition Law, disrupting the competition order, and infringing the legitimate rights and interests of other operators or consumers, constitutes unfair competition. When the legitimate rights and interests of an operator are damaged by unfair competition, it may start a lawsuit in the people's court. In contrast, if an operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition and causes damage to another

operator, it shall be liable for damages. If the damage suffered by the injured operator is difficult to access, 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 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**") promulgated by the SCNPC on December 29, 1997 and took effect from May 1, 1998, operators should observe the following principles when determining prices: fairness, lawfulness and good faith. The production and operation costs and the market supply and demand situation should be the fundamental basis for the operator to determine the price. When selling or purchasing goods and providing services, the operator shall clearly indicate the price and indicate the name, origin of production, specifications, grade, valuation unit and price of a commodity, or service item, charging standards and other related particulars in accordance with the requirements of the competent government price department. Operators shall not sell the goods at a price beyond the marked price or charge unspecified fees on the top of price indicated. In addition, operators may not take illegitimate pricing actions, such as colluding with others to manipulate market prices and damaging the legitimate rights and interests of other operators or consumers. Any operator engaged in the act of illegitimate pricing 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; if the circumstances are serious, the business combination shall be ordered to suspend for rectification, or the administrative department for industry and commerce shall revoke the business license. In addition, any operator who causes consumers or other operators to pay higher prices due to illegal pricing acts should refund the overpaid portion; if damage is caused, it shall be liable for compensation according to law. Any operator who violates the 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.

LAWS AND REGULATIONS APPLICABLE TO INFORMATION SECURITY AND DATA PRIVACY

According to the Civil Code of the People's Republic of China, the processing of personal information shall follow the principles of legality, legitimacy and necessity. The processing of personal information includes collection, storage, use, processing, transmission, provision and disclosure of personal information.

According to the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) promulgated by the SCNPC on June 10, 2021 and effective on September 1, 2021, the relevant entities carrying out data processing activities should comply with laws, regulations and codes of ethics, establish and improve the whole process data security management system in the process of data processing and strengthen risk monitoring. Those handling important data shall conduct regular risk assessments and report to the competent authorities.

According to the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) promulgated by the SCNPC on August 20, 2021 and effective on November 1, 2021, it stipulates the personal information processing rules, clarifies the rights and responsibilities of individuals and the processors in processing personal information respectively, specifies the scope of personal information and the method of personal information processing, establishes rules for personal information processing and transferring abroad, and improves the personal information protection system.

According to the Cyber Data Security Administration Regulations (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》) promulgated by the Cyberspace Administration of China on November 14, 2021 but not yet effective, any data processors processing personal information of more than one million individuals and seeking to go public abroad, or any data processors seeking to go public in Hong Kong if such activities affect or may affect national security, are subject to a cybersecurity review in accordance with relevant national regulations. Up to now, the Draft for comments has not been formally implemented and come into force.

According to the Cybersecurity Review Measures (《網絡安全審查辦法》) promulgated by the Cyberspace Administration of China and relevant government authorities on December 28, 2021 which replaced the previous version and took effect on February 15, 2022, critical information infrastructure operators who purchase network products and services that affect or may affect national security shall report to the cybersecurity review office for a cybersecurity review. Online platform operators possessing personal information of more than one million users must report to the cybersecurity review office for a cybersecurity review before going public abroad.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

On December 24, 2021, the CSRC published the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) and Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》), collectively as Draft Overseas Listing Regulations, which set out the new regulatory requirements and filing procedures for Chinese companies seeking direct or indirect listing in overseas markets. According to Draft Overseas Listing Regulations, domestic companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with and report relevant information to the CSRC, and that an initial filing shall be submitted within three working days after the application for an initial public offering is submitted. As of the Latest Practicable Date, there is no formal announcement of when it will be implemented.

LAWS AND REGULATIONS APPLICABLE TO INTELLECTUAL PROPERTY RIGHTS

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》, the "**Copyright Law**") was promulgated by the SCNPC on September 7, 1990 and last revised on November 11, 2020 which took effect from 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.

Pursuant to the Computer Software Copyright Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and amended on January 30, 2013, the software

copyright owner may go through the registration formalities with a software registration authority recognized by the State Council's copyright administrative department. The software copyright owner may authorize others to exercise that copyright and is entitled to receive remuneration.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》, the "**Trademark Law**") promulgated by the SCNPC on August 23, 1982 and last revised on April 23, 2019 with effect from November 1, 2019, the exclusive right to use a registered trademark is limited to the approval of its trademark registered and the goods approved to use the trademark. The registered trademark is valid for ten years from the date of approval of the registration. According to the Trademark Law, using a trademark that is the same as or similar to a registered trademark on a product that is the same as or similar to the product such registered trademark is registered without the authorization of the registered trademark owner which is likely to cause confusion shall be deemed infringement of the exclusive right of the registered trademark of the trademark owner. If the parties have any dispute over the infringement and the other party uses the exclusive right of the registered trademark listed in the Trademark Law, the parties concerned shall resolve the dispute through negotiation. Where the parties refuse to negotiate or the negotiation fails, the trademark registrant or any interested party may file a lawsuit in the people's court, or request the industry and commerce administration authority to deal with the occurrence of the trademark infringement.

Patent

In accordance with the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and last amended on October 17, 2020 and with effect from June 1, 2021, the term "invention" used herein refers to new technical solutions raised in relation to any product, process or the improvement thereof; the term "utility model" is used to refer to any new technical solution related to the shape and structure of a product or the combination thereof, which is suitable for practical use; the term "design" used therein refers to any new design of the shape and pattern of a product or the combinations thereof, or the combinations of colors with shapes or patterns, which creates esthetics and is suitable for industrial applications.

Domain name

Pursuant 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 on August 24, 2017 and became effective from November 1, 2017. Domain name registration services shall in principle implement the rule of "first apply, first registration"; where the corresponding detailed rules for domain name registration stipulate otherwise, such provisions shall prevail.

LAWS AND REGULATIONS APPLICABLE TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated by the SCNPC on December 26, 1989 and last amended on April 24, 2014 and with effect from January 1, 2015, any entity that discharges pollutants must establish environmental responsibility rules and adopt effective measures to control or properly treat waste gas, waste water, waste residues, medical waste, dust,

malodorous gasses, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation and other hazards it produces. The State implements the pollution discharge license management system. Enterprises, public institutions and other producers and operators that implement the pollution discharge license management shall discharge pollutants according to the requirements of the pollution discharge license; those failing to obtain the pollution discharge license shall not discharge pollutants.

Pursuant to the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), which was promulgated by the SCNPC on May 11, 1984 and was newly amended on June 27, 2017 and with effect from January 1, 2018, the State adopts license system for pollutant discharge. Enterprises and business units that discharge industrial waste water, medical treatment sewage, as well as other waste water or sewage that can only be discharged after obtaining license for pollutant discharge directly or indirectly into a water body shall obtain license for pollutant discharge. The specific measures and implementation procedures of the license system for pollutant discharge shall be formulated by the State Council.

According to the Law on Air Pollution Prevention and Control of the PRC (《中華人民共和國大氣污染防治法》), which was promulgated by the SCNPC on September 5, 1987, and last revised on October 26, 2018 with effect from the same day, the environmental protection departments of local people's governments at or above the county level shall implement unified supervision and management of air pollution prevention and control. Enterprises, business units and other operators that discharge industrial waste gas shall obtain pollutant discharge permits. The above-mentioned units shall monitor the air pollutants emitted by them in accordance with relevant provisions and monitoring norms of the State, and retain the original monitory records.

Pursuant to the Law of the PRC on the Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), which was promulgated by the SCNPC on October 29, 1996 and last amended on December 24, 2021 with effect from June 5, 2022, the industrial noise emitted to surrounding neighborhood in an urban area shall be kept within the limits set by the State on emission of environmental noise by an industrial enterprise. In industrial production processes, industrial enterprises that produce environmental noise pollution due to the use of fixed equipment must, in accordance with the regulations of the environmental protection administration department under the State Council, report to the competent environmental protection administrative department.

Pursuant to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC on October 30, 1995 and last amended on April 29, 2020 with effect from September 1, 2020, entities discharging industrial solid wastes shall establish and improve the responsibility system for the prevention and control of environmental pollution and adopt measures for the prevention and control of environmental pollution by industrial solid wastes.

According to the Regulation on Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), which was promulgated by the State Council on November 29, 1998, and was newly amended on July 16, 2017 and became effective on October 1, 2017, the PRC practices a system that evaluates the environmental impact of a construction project. The construction unit shall submit an environmental impact report or environmental impact statement for approval before the construction of the project begins, or file an environmental impact registration form for record in accordance with the provisions of the environmental

protection administrative department of the State Council. In addition, after completion of the construction project for which an environmental impact report or environmental impact statement is prepared, the construction unit shall make an acceptance check of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the environmental protection administrative department of the State Council. For projects constructed in stages, putting into production or using in stages, the inspection and acceptance of the corresponding environmental protection facilities shall be carried out in stages.

According to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法（試行）》) which was issued by the MEP on January 10, 2018 and amended on August 22, 2019 with effect on the same day, enterprises and public institutions as well as other producers and operators that are included in the category-based administration catalog (released by the MEP, which was later succeeded by the Ministry of Ecology and Environment) of pollutant discharge licensing for stationary pollution sources shall apply for and obtain a pollutant discharge license within the prescribed time limit; pollutant discharging entities not included in the said catalog are not required to apply for a pollutant discharge license temporarily.

Pursuant to the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated by the Ministry of Ecology and Environment on December 20, 2019, the state implements a focused management and a simplification of emission permits based on the pollutant-discharging enterprises and other manufacturing businesses' amount of pollutants, emissions and the extent of environmental damage. The food manufacturing industry shall obtain the discharge permit in accordance with the prescribed time limit. The MEP shall be responsible for guiding the implementation and the supervision of the National Sewage Permit system. The municipal environmental protection department shall be responsible for issuing the Pollutant Discharge Permit in the district where the pollutant discharging enterprise is located.

Pursuant to the Regulations on the Administration of Pollutant (《排污許可管理條例》) which was issued by the State Council on January 24, 2021 with effect on March 1, 2021, Enterprises, public institutions and other producers and operators which are subject to the administration of pollutant discharge permits pursuant to legal provisions shall apply for pollutant discharge permits in accordance with the provisions of these Regulations. Those pollutant-discharging entities which have not obtained pollutant discharge permits shall not be allowed to discharge pollutants.

LAWS AND REGULATIONS APPLICABLE TO EMPLOYMENT AND SOCIAL WELFARE

Labor contracts

Pursuant to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was adopted by the SCNPC on June 29, 2007 and with effect from January 1, 2008, amended on December 28, 2012 and with effect from July 1, 2013 and the Regulations on Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated by the State Council and became effective on September 18, 2008, a written labor contract should be concluded to establish a labor relationship. If a written labor contract is not signed when establishing a labor relationship, a written contract should be signed within one month from the date the employer hired the employee. If the employer fails to enter into a written employment

contract with the employee for more than one month but less than one year from the date of hiring him, the employer shall pay the employee twice the monthly salary. In addition, if the employer fails to enter into a written employment contract with the employee for more than one year from the date of hiring the employee, it shall be deemed to have entered into an unfixed term contract with the employee.

Dispatched Workers

According to the Interim Provisions on Labor Dispatch (《劳務派遣暫行規定》) issued on January 24, 2014 and implemented on March 1, 2014 by the Ministry of Human Resources and Social Security, employers may only use dispatched workers for temporary, ancillary or substitute positions. The aforementioned temporary positions shall mean positions lasting for no more than six months; ancillary positions shall mean positions of non-major business that serve positions of major business; and substitute positions shall mean positions that can be substituted by other workers for a certain period of time during which the workers who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. According to the Interim Provisions on Labor Dispatch, the employers should strictly control the number of dispatched workers, and the number of the dispatched workers shall not exceed 10% of the total amount of their employees.

Pursuant to the Interim Provision on Labor Dispatch, the Labor Contract Law of the PRC and the Implementation Regulations for the Labor Contract, the employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make rectification within a stipulated period. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

Social insurance

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》, the "**Social Insurance Law**"), which was promulgated by the SCNPC on October 28, 2010, took effect from July 1, 2011 and was amended on December 29, 2018 and took effect from the same day, employees shall participate in basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. Basic pension, medical insurance and unemployment insurance contributions shall be paid by both employers and employees. Work-related injury insurance and maternity insurance contributions shall be paid by employers but not employees. An employer shall register with the local social insurance agency in accordance with the provisions of the Social Insurance Law. In addition, an employer should declare and pay social insurance premiums in full and on time. Unless subject to statutory exceptions such as force majeure, social insurance payment may not be delayed, reduced or exempted.

Housing provident fund

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council and took effect from April 3, 1999, and was last amended on March 24, 2019 with effect on the same day, an enterprise need to pay housing provident funds for their employees. The enterprise shall register with the relevant housing provident fund management center within 30 days from the date of establishment, and open a housing provident fund account at the designated bank on behalf of its employees within 20 days from the date of registration. When hiring new employees, the company

shall register with the housing provident fund management center within 30 days from the date of hiring these employees, and open a housing provident fund account at the designated bank. The enterprise shall pay the full amount of the housing provident fund on time and shall not be overdue in the payment or underpay the housing provident fund. The housing provident fund payment by both an employer and an employee shall not be lower than 5% of the average monthly salary of the employee in the previous year. If an enterprise fails to make full payment of housing provident fund for their employees in accordance with relevant laws and regulations, the housing provident fund management center shall order it to make the payment within a prescribed time limit. If payment is still not made within the prescribed time limit, an application may be made to the people's court for compulsory enforcement.

GENERAL

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on July 6, 2018. As part of the Reorganization, our Company became the holding company of our Group for the purpose of the listing with our businesses conducted through our subsidiaries. See section headed "Reorganization" in this section for further details.

HISTORY

Our business dates back to the time when our founders Mr. LIU Weiping and Mr. LIU Fuping came to explore business opportunities in Luohe City, where they later established their business and created their first *Latiao* (辣條) snack in 2001. Over the years, we follow the mission "to let the world fall in love with Chinese flavors", and are committed to making authentic Chinese gourmet more entertaining, casual, convenient and affordable, and to introducing more spicy snack food products that offer consumers a cheerful consumption experience. Our products have developed from our seasoned flour products, also commonly known as *Latiao* (辣條), to other flour products, and since then gradually expanded to vegetable products, bean-based products and more products while preserving authentic flavors. Currently, the Group has become a modernized spicy snack food enterprise integrating R&D, production, processing and sales, headquartered in Luohe City, Henan Province, and we have established a competitive distribution network across the country.

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

Year	Event
2001	The founders Mr. LIU Weiping and Mr. LIU Fuping started the business in Luohe City.
	Created our first *Latiao* (辣條) snack.
2003	Applied for the trademark of Wei Long.
2004	Ping Ping Foods was established and we moved to Luohe Industrial Park.
2006 – 2010	The second plant of Ping Ping Foods began construction.
	Weilong *Big Latiao* (*大麵筋*) and *Mini Latiao* (*小麵筋*) snacks were introduced to the market.
2010 – 2015	Introduced celebrity endorsement for our products to enhance brand awareness.
	Carried out expansion of production capacity for seasoned flour products and bean-based products.
	Introduced stretch film wrapping machine and other automation equipments to streamline the production process.
	Established self-operated online stores on Tmall, one of the major e-commerce platforms in China, to achieve online brand promotion.
2015 – 2016	Implemented a series of brand and marketing strategies to improve brand image.

Year	Event
2017	Carried out rapid expansion of production capacity. Implemented the world leading SAP information management system.
	Set up self-operated online stores on JD.com to further enhance online sales.
2019	Set up 22 marketing areas, and established an omni-channel sales and distribution network by integrating our online and offline resources.
	The manufacturing facility of Weidao Foods was completed and put into production, achieving greatly improved automation level and production capacity.
2020	Shanghai Weilong Biotechnology started operation. The construction of Luohe Xinglin Plant commenced.
2021	Entered into the pre-IPO round of financing. Introduced strategic institutional investors.
2022	The Luohe Xinglin Plant was partially put into production.

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, our Company had 27 directly and indirectly owned subsidiaries, and six of them principally affected the results, assets, liabilities or businesses of the Group, details of which are set out below:

1. Weilong Commerce

Weilong Commerce was incorporated by Mr. LIU Weiping and Mr. LIU Fuping as a limited liability company in the PRC on July 11, 2014. Weilong Commerce is the major domestic holding company of our Group and is primarily engaged in the trading and marketing of our products through online and offline channels. As a part of the Reorganization and as of the Latest Practicable Date, it had become an indirectly wholly owned subsidiary of the Company, which is also ultimately controlled by Mr. LIU Weiping and Mr. LIU Fuping.

2. Ping Ping Foods

Ping Ping Foods was incorporated by Mr. LIU Weiping and Mr. LIU Fuping as a limited liability company in the PRC on September 9, 2004. Ping Ping Foods is primarily engaged in the production of flour products and vegetable snack products of our Group. In September 2017, to streamline the internal corporate structure, Mr. LIU Weiping and Mr. LIU Fuping transferred their equity interest in Ping Ping Foods to Weilong Commerce, which is also ultimately controlled by Mr. LIU Weiping and Mr. LIU Fuping. As of the Latest Practicable Date, it is an indirect wholly-owned subsidiary of the Company.

3. Weilai Foods

Weilai Foods was incorporated by Mr. LIU Weiping and Mr. LIU Fuping as a limited liability company in the PRC on November 11, 2013. Weilai Foods is primarily engaged in the production of flour products and bean-based products of our Group. In September 2017, to streamline the internal corporate structure, Mr. LIU Weiping

and Mr. LIU Fuping transferred their equity interest in Weilai Foods to Weilong Commerce, which is also ultimately controlled by Mr. LIU Weiping and Mr. LIU Fuping. As of the Latest Practicable Date, it is an indirect wholly-owned subsidiary of the Company.

4. Weidao Foods

Weidao Foods was incorporated by Weilong Commerce as a limited liability company in the PRC on July 11, 2018. Weidao Foods is primarily engaged in the production of flour products, vegetable snack products and bean-based products of our Group. As of the Latest Practicable Date, it is an indirect wholly-owned subsidiary of the Company.

5. Zhumadian Weilai Foods

Zhumadian Weilai Foods was incorporated by Weilong Commerce as a limited liability company in the PRC on July 20, 2017. Zhumadian Weilai Foods is primarily engaged in the production of flour products of our Group. As of the Latest Practicable Date, it is an indirect wholly-owned subsidiary of the Company.

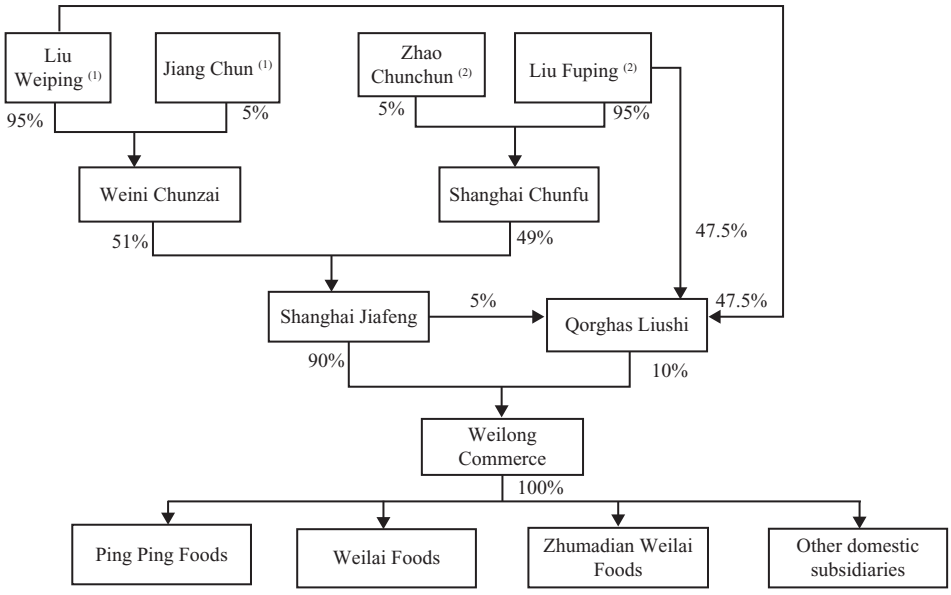
6. Weilong Biotechnology

Weilong Biotechnology was incorporated by Weilong Commerce as a limited liability company in the PRC on June 12, 2020. Weilong Biotechnology is primarily engaged in the research and development of the products of our Group, focusing on upgrading and iteration of products, introducing innovative flavors and improving our raw materials. As of the Latest Practicable Date, it is an indirect wholly-owned subsidiary of the Company.

REORGANIZATION

In anticipation of our Listing, we underwent the Reorganization as a result of which our Company became the holding company and listing vehicle of our Group.

The following chart sets out our shareholding and simplified corporate structure immediately before the Reorganization:



(1) Mr. LIU Weiping and Ms. JIANG Chun are in a spousal relationship.

(2) Mr. LIU Fuping and Ms. Zhao Chunchun are in a spousal relationship.

The Reorganization involved the following major steps:

On June 28, 2018, Mr. LIU Weiping incorporated a wholly-owned special purpose vehicle in the BVI, HH Green Philosophy for the purposes of the Reorganization. Upon incorporation, HH Green Philosophy issued one ordinary share with par value of US$1.00. On the same day, Mr. LIU Fuping incorporated a wholly-owned special purpose vehicle in the BVI, HH Innovation Group for the purposes of the Reorganization. Upon incorporation, HH Innovation Group issued one ordinary share with par value of US$1.00.

On July 4, 2018, HH Global Capital was incorporated by HH Green Philosophy and HH Innovation Group as a special purpose vehicle in the BVI. Upon incorporation, HH Green Philosophy and HH Innovation Group holds 95% and 5% of equity interest in HH Global Capital, respectively.

On July 6, 2018, our Company was incorporated in the Cayman Islands as an exempted company. Upon incorporation, our Company issued one ordinary share with a par value of US$0.01 to Vistra (Cayman) Limited which was nil-paid, and Vistra (Cayman) Limited subsequently transferred such share to HH Global Capital on the same date. On the same day, the Company allotted additional 9,999 shares to HH Global Capital for a total consideration of US$100. Upon completion of the transfer and allotment, HH Global Capital holds 10,000 issued ordinary shares in the Company.

On July 9, 2018, HH Global Holdings was incorporated by our Company as a special purpose vehicle in the BVI. Upon incorporation, HH Global Holdings issued one ordinary share with par value of US$1.00.

On July 19, 2018, HH International Enterprise was incorporated by HH Global Holdings in Hong Kong. Upon incorporation, HH Global Holdings holds 100 issued ordinary shares in HH International Enterprise of HK$1.00 each.

On August 6, 2018, Qorghas Liushi transferred 1% of the equity interest in Weilong Commerce to EFeng Investment Development (a wholly-owned subsidiary of EFeng Capital, which in turn is wholly owned by Mr. TSAO Chun Tai. Mr. TSAO Chun-Tai primarily focuses on investments in consumer products industry. He also served as an external advisor of the Company from March 2017 to May 2020.), for a cash consideration of RMB 313,450.45. Upon completion of the equity transfer on August 15, 2018, Weilong Commerce was held by Shanghai Jiafeng, Qorghas Liushi and EFeng Investment Development as to 90%, 9% and 1%, respectively.

On August 31, 2018, HH International Enterprise incorporated a wholly foreign-owned enterprise, Hehe Foods, as a limited liability company in the PRC, with an initial registered capital of US$500,000, which has been fully paid.

On September 5, 2018, Hehe Foods entered into a share transfer agreement with Shanghai Jiafeng, pursuant to which Shanghai Jiafeng agreed to transfer 90% of the equity interest in Weilong Commerce to Hehe Foods for a cash consideration of RMB28,210,540.90. On the same day, Hehe Foods also entered into a share transfer agreement with Qorghas Liushi, pursuant to which Qorghas Liushi agreed to transfer the remaining 9% of the equity interest in Weilong Commerce to Hehe Foods for a cash consideration of RMB2,821,054.09.

Upon completion of the equity transfers on September 5, 2018, the offshore structure and the Company indirectly held 99% of the equity interest in Weilong Commerce and its PRC subsidiaries through Hehe Foods.

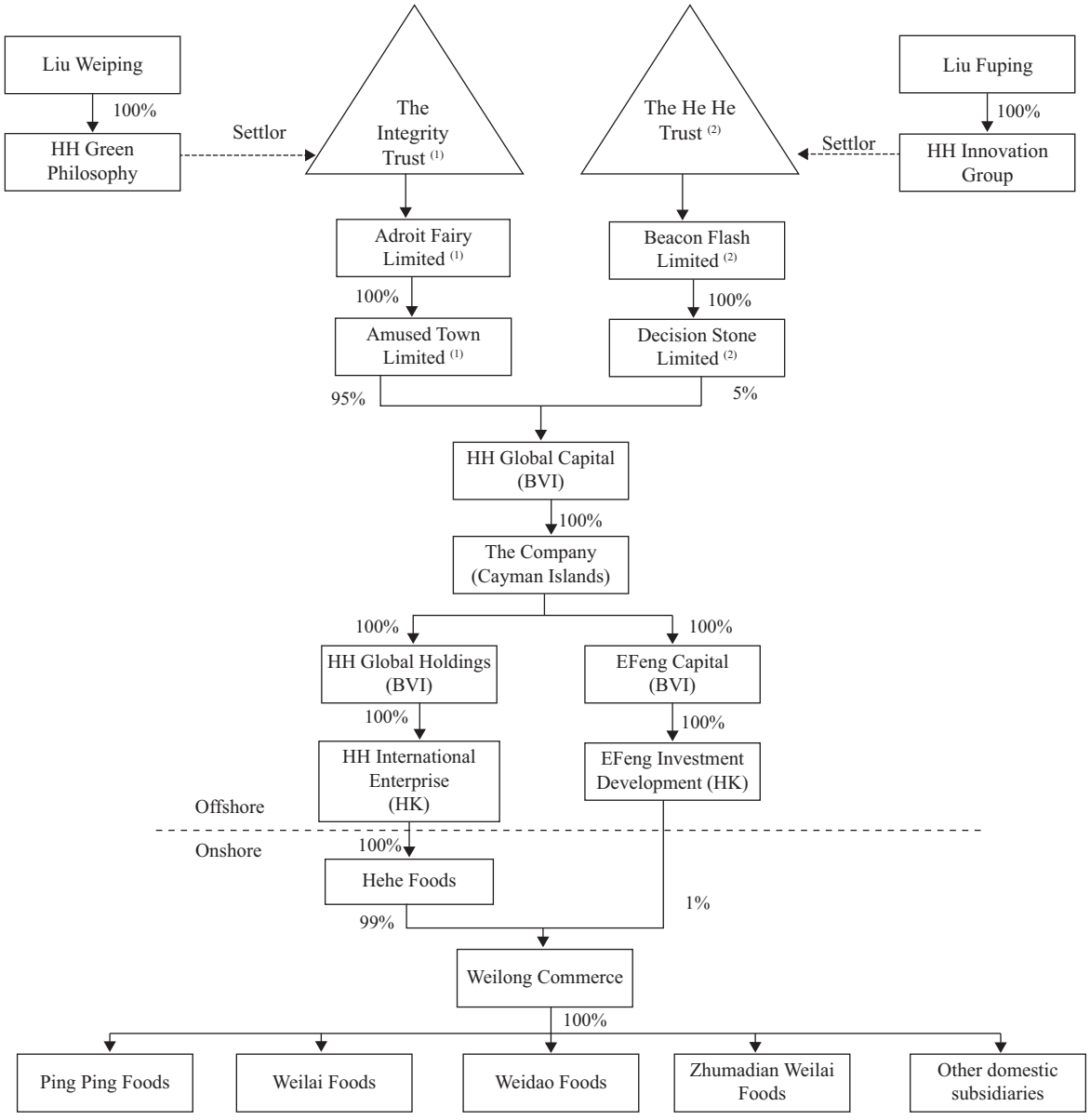
On November 26, 2018, Amused Town Limited was incorporated as a special purpose vehicle in the BVI. On December 27, 2018, HH Green Philosophy declared a discretionary trust known as "the Integrity Trust" with HH Green Philosophy as settlor, Vistra Trust (Hong Kong) Limited as trustee and Mr. LIU Weiping, Mr. LIU Fuping and HH Green Philosophy as beneficiaries. On establishment of the trust, the 95% equity interest in HH Global Capital held by HH Green Philosophy was transferred to Amused Town Limited and held on trust for the benefit of Mr. LIU Weiping, Mr. LIU Fuping and HH Green Philosophy. In November 2021, HH Green Philosophy, the settlor of the Integrity Trust, engaged The Core Trust Company Limited (匯聚信託有限公司) to replace Vistra Trust (Hong Kong) Limited and act as the trustee of the Integrity Trust.

On October 30, 2018, Decision Stone Limited was incorporated as a special purpose vehicle in the BVI. On December 27, 2018, HH Innovation Group declared a discretionary trust known as "the He He Trust" with HH Innovation Group as settlor, Vistra Trust (Hong Kong) Limited as trustee and Mr. LIU Weiping, Mr. LIU Fuping and HH Innovation Group as beneficiaries. On establishment of the trust, the 5% equity interest in HH Global Capital held by HH Green Philosophy was transferred to Decision Stone Limited and held on trust for the benefit of Mr. LIU Weiping, Mr. LIU Fuping and HH Innovation Group. In November 2021, HH Innovation Group, the settlor of the He He Trust, engaged The Core Trust Company Limited (匯聚信託有限公司) to replace Vistra Trust (Hong Kong) Limited and act as the trustee of the He He Trust.

On July 4, 2019, Mr. TSAO Chun-Tai transferred 100% of issued shares of EFeng Capital to the Company for a cash consideration of US$103,566.37 (or RMB713,499.82). Upon completion of the equity

transfer on the same day, the Company indirectly held 99% and 1% of the equity interest of Weilong Commerce through Hehe Foods and EFeng Capital, respectively.

The following chart sets out the shareholding and simplified corporate structure of our Company immediately after completion of the above steps:



(1) The Integrity Trust is a trust established by HH Green Philosophy, with Mr. LIU Weiping and Mr. LIU Fuping acting as the protectors and The Core Trust Company Limited acting as the trustee. As of the Latest Practicable Date, the trustee, through its wholly-owned subsidiaries, held 95% interest in HH Global Capital on trust for the benefit of HH Green Philosophy and HH Innovation Group.

(2) The He He Trust is a trust established by HH Innovation Group, with Mr. LIU Weiping and Mr. LIU Fuping acting as the protectors and The Core Trust Company Limited acting as the trustee. As of the Latest Practicable Date, the trustee, through its wholly-owned subsidiaries, held 5% interest in HH Global Capital on trust for the benefit of HH Green Philosophy and HH Innovation Group.

ESTABLISHMENT OF THE EMPLOYEE INCENTIVE SCHEME

In order to incentivize and reward our Directors, members of senior management and other employees who have contributed to the development of our Group, an RSU Scheme was approved and adopted by our Board on January 1, 2021. For further details about the RSU Scheme, see "Statutory and General Information – D. Employee Incentive Scheme" in Appendix IV.

PRE-IPO INVESTMENTS

Overview

Since its incorporation, our Group had continued to be wholly-owned by our Controlling Shareholders and their family members. We introduced some well-known strategic and financial investors who recognize our business strategy and corporate culture, and are willing to contribute their valuable experience and insights in the capital market to our future development, and stay with the Company to help achieve our long-term growth.

On March 31, 2021, our Shareholders resolved, among other things, that the authorized share capital of the Company would sub-divided from US$50,000 consisting of 5,000,000 ordinary shares of a par value of US$0.01 each to US$50,000 consisting of 5,000,000,000 ordinary shares of a par value of US$0.00001 each. On the same day, CPE (CPE Investment XVIII Limited and CWL Food Co-invest Limited, collectively, "**CPE**"), CWL Management XVIII Limited, Hillhouse (through its investment entity AUT-IV Holdings Limited, "**Hillhouse**"), Tencent (through its investment entity Image Flag Investment (HK) Limited, "**Tencent**"), Yunfeng Capital (through its investment entity YF Demeter Limited, "**Yunfeng Capital**"), Sequoia Capital China (through its investment entity SCC Growth VI Holdco F, Ltd., "**Sequoia Capital China**"), Duckling Fund, L.P., Hosen Capital (through its investment entity Harmony Capital Limited, "**Hosen Capital**") and Oceanpine Capital (through its investment entities Oceanpine Investment Fund II LP and Oceanpine Focus Fund LP, collectively "**Oceanpine Capital**") (together the "**March Pre-IPO Investors**") entered into a share purchase agreement with, among others, HH Global Capital and the Company (the "**Pre-IPO Share Purchase Agreement**"), pursuant to which the March Pre-IPO Investors purchased 122,446,014 newly issued ordinary shares of the Company, and the Company repurchased 61,223,007 ordinary shares of the Company from HH Global Capital. As a result, in essence the March Pre-IPO Investors subscribed for 61,223,007 newly issued ordinary shares of the Company at a consideration of US$274,500,000, and purchased 61,223,007 ordinary shares of the Company from HH Global Capital at a consideration of US$274,500,000. The consideration paid by the March Pre-IPO Investors was settled on April 1, 2021. On June 18, 2021, Shanghai Hongluo Enterprise Management Consulting Partnership (Limited Partnership) (上海泓漯企業管理諮詢合夥企業 (有限合夥)) ("**Shanghai Hongluo**") (together with the March Pre-IPO Investors, the "**Pre-IPO Investors**") entered into a share transfer agreement with HH Global Capital, pursuant to which Shanghai Hongluo further purchased 24,533,810 ordinary shares of the Company at a consideration of US$110,000,000. The consideration paid by Shanghai Hongluo was settled on June 25, 2021. On April 27, 2022, the Pre-IPO Investors entered into a supplemental agreement of share purchase agreement with among others, HH Global Capital and the Company, pursuant to which the Pre-IPO Investors further purchased a total of 157,626,890 ordinary shares allotted by the Company at a total consideration of US$1,576.2689 at a per Share price of US$0.00001. Such consideration was settled in full by May 10, 2022. In respect of such 157,626,890 Shares, the Company is entitled to compulsorily redeem all such Shares held by the Pre-IPO Investors at its par value, if a qualified IPO (namely, a firm commitment underwritten public offering of the Shares on any of the Stock Exchange and/or certain other recognized international securities exchanges) has not occurred.

The cost per Share paid by each Pre-IPO Investor was US$2.1635, and the premium to the Offer Price is approximately 55.11%[3]. As a result, the Pre-IPO Investors are in aggregate interested in approximately 12.96% of the total issued Shares of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Details of the Pre-IPO Investments made by the Pre-IPO Investors are set out as follows:

Name of the Pre-IPO Investors	Number of shares subscribed for or purchased	Amount of consideration paid by the investor (in USD)	Approximate percentage of shareholding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
CPE	96,142,938	208,000,497.51733	4.09%
CWL Management XVIII Limited	4,622,257	10,000,023.91911	0.20%
Hillhouse	50,844,823	110,000,263.11013	2.16%
Tencent	27,733,540	60,000,143.51462	1.18%
Yunfeng Capital	27,733,540	60,000,143.51462	1.18%
Sequoia Capital China	12,480,093	27,000,064.58158	0.53%
Duckling Fund, L.P.	12,480,093	27,000,064.58158	0.53%
Hosen Capital	12,480,093	27,000,064.58158	0.53%
Oceanpine Capital(1)	9,244,514	20,000,047.83822	0.39%
Shanghai Hongluo	50,844,823	110,000,263.11013	2.16%
Total	**304,606,714**	**659,001,576.2689**(2)	12.96%

(1) On January 24, 2022, the investment entities of Oceanpine Capital, namely Oceanpine Investment Fund II LP and Oceanpine Focus Fund LP, entered into a share purchase agreement, pursuant to which Oceanpine Investment Fund II LP transferred all the 2,230,346 Shares held by it to Oceanpine Focus Fund LP. In this connection, on the same day, Oceanpine Focus Fund LP entered into a joinder agreement with the Company in accordance with the Pre-IPO Shareholders' Agreement. Oceanpine Investment Fund II LP is an exempted limited partnership incorporated in Cayman. The general partner of both Oceanpine Investment Fund II LP and Oceanpine Focus Fund LP is Oceanpine Growth (Cayman) Limited, which is wholly owned by Dave Liguang Chenn, an Independent Third Party.

(2) Out of which US$274,501,576.2689 was paid to the Company while US$384,500,000 was paid to HH Global Capital.

[3] Calculated based on the assumption that the Offer Price is HK$10.90 per Share (being the mid-point of the indicative Offer Price range of HK$10.40 to HK$11.40).

Lock-up period

On March 31, 2021, the March Pre-IPO Investors entered into a shareholders' agreement with, among others, the Company and HH Global Capital, which was further joined by Shanghai Hongluo on June 18, 2021 and was amended and restated on April 27, 2022 ("**Pre-IPO Shareholders' Agreement**"), pursuant to which:

(1) during the period commencing on the date of the consummation of the Pre-IPO Investments (the "**Pre-IPO Investment Closing**") and ending upon the earlier occurrence of the following two events (a) the second anniversary of the date of the Pre-IPO Investment Closing, and (b) the expiration of six (6) months period after the completion of an initial public offering, the Pre-IPO Investors shall not transfer any of the ordinary shares acquired by them through the Pre-IPO Investments; and

(2) during the period between the occurrence of the above mentioned two events, the Pre-IPO Investors shall only be entitled to transfer no more than fifty percent of the ordinary shares acquired by it as of the Pre-IPO Investment Closing, except that the Pre-IPO Investors will be free from such restriction if the initial public offering has not been consummated within two years after the Pre-IPO Investment Closing.

(the "**Lock-up Restriction**")

The Lock-up Restriction does not restrict certain exceptions provided in the Pre-IPO Shareholders' Agreement, such as (a) transfer by the Pre-IPO Investors to any of its affiliates or any other investment fund controlled or managed by the same general partner or investment manager of such Pre-IPO Investors (or its controlling shareholder) or any affiliate thereof, and (b) any transfer by the Pre-IPO Investors for the purposes of and/or in connection with the bona fide creation of any security to secure any loan or other financial assistance provided to such Pre-IPO Investor(s) and/or the enforcement of such security. Further, the Lock-up Restriction may be waived through prior written consents of Mr. LIU Weiping, Mr. LIU Fuping and the Company.

Use of proceeds from the Pre-IPO Investments

The proceeds from the Pre-IPO Investments received by the Company were used for the research and development, business expansion, marketing expenditures and other working capital purposes of our Group, and otherwise in accordance with the business plan or budget as approved or adopted. As of the Latest Practicable Date, approximately 56.3% of the net proceeds from the Pre-IPO Investments had been utilized.

Basis of determining the consideration paid

The determination of the amount of consideration paid is based on arm's-length negotiations between the relevant parties after taking into consideration the business value of the Company and its subsidiaries at the time of the Pre-IPO Investments with reference to the market condition.

Special Rights of the Pre-IPO Investors

According to the Pre-IPO Shareholders' Agreement, the Pre-IPO Investors had been granted certain special rights, including, among others, right of first refusal, right of co-sale, preemptive right, information and inspection rights. All of such special rights will be automatically terminated immediately upon the completion of an initial public offering of the Company or other earlier time on the condition that such termination is mandatory required by the relevant stock exchanges or the government authorities governing the proposed initial public offering, provided in the event that (i) the initial public offering does not take place within twelve (12) months from such termination; or (ii) the Company suspends or terminates its application for an initial public offering within twelve (12) months from the first submission of its application materials for an initial public offering, the rights so terminated shall resume automatically.

Strategic Benefit from Pre-IPO Investments

We are of the view that our Company can benefit from the Pre-IPO Investments in the Company and their investments demonstrate their confidence in our Group's operation and serve as an endorsement of our Company's performance, strengths and prospects. Our Company is also of the view that we could benefit from the additional capital provided by the Pre-IPO Investments in our Company and their knowledge and experience.

Public Float

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), none of the Pre-IPO Investors will hold 10% or more of our enlarged issued share capital. Therefore, the Shares held by the Pre-IPO Investors will count towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Information about the Pre-IPO Investors

(a) **CPE**:

CPE Investment XVIII Limited was incorporated as a limited liability company in the BVI on February 8, 2021. It is wholly owned by CPEChina Fund IV, L.P., an exempted limited partnership formed under the laws of Cayman Islands, whose general partner is CPE Funds IV Limited a company incorporated in Cayman Islands with limited liability. CPE Funds IV Limited is directly and wholly owned by CPE Management International Limited, which is in turn wholly owned by CPE Management International II Limited, both of which are companies incorporated in Cayman Islands with limited liability. CPE Management International II Limited is owned by a number of shareholders that are natural persons, none of whom controls CPE Management International II Limited. CPE Investment XVIII Limited principally focuses on investment in food industries.

CWL Food Co-invest Limited was incorporated as a limited liability company in the BVI on March 5, 2021. It is controlled by CPE Co-invest Management IV Limited, which is wholly owned by CPE Funds IV Limited. It principally focuses on investment in food industries.

(b) **CWL Management XVIII Limited**:

CWL Management XVIII Limited was incorporated as a limited liability company in the BVI on February 19, 2021. CWL Management XVIII Limited's sole director and controlling person is HUANG Ye. CWL Management XVIII Limited is an investment fund which principally focuses on investment in food industries.

(c) **Hillhouse**:

AUT-IV Holdings Limited was incorporated as a limited liability company incorporated under the laws of Cayman Islands on September 2, 2020. It is a wholly-owned subsidiary of Hillhouse Fund IV, L.P., which is in turn managed by Hillhouse Investment Management, Ltd. ("**Hillhouse**"). Hillhouse is a global private equity firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Hillhouse invests in the fields of healthcare, business services, broad consumption and industrials. Hillhouse manages assets on behalf of institutional clients from across the globe.

(d) **Tencent**:

Image Flag Investment (HK) Limited was incorporated as a limited liability company under the laws of Hong Kong on January 5, 2016. It is a wholly-owned subsidiary of Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange (stock code: 0700).

(e) **Yunfeng Capital**:

YF Demeter Limited was incorporated as a limited liability company in the BVI on February 4, 2021. It is wholly owned by Yunfeng Fund IV, L.P., a limited liability partnership formed under the laws of 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.

(f) **Sequoia Capital China**:

SCC Growth VI Holdco F, Ltd., was incorporated as a limited liability company in the Cayman Islands on July 2, 2020. It is a wholly-owned subsidiary of Sequoia Capital China Growth Fund VI, L.P., which is an investment fund focusing on making equity investments in private companies. The general partner of Sequoia Capital China Growth Fund VI, L.P. is SC China Growth VI Management, L.P., whose general partner is SC China Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited.

(g) **Duckling Fund, L.P.**:

Duckling Fund, L.P. is a limited partnership incorporated under the laws of Cayman Islands on June 16, 2020. The general partner of Duckling Fund, L.P. is Grandiflora Hook GP Limited. The sole limited partner of

Duckling Fund, L.P. is Lionet Fund, L.P., which is also managed by its general partner, Grandiflora Hook GP Limited. The ultimate beneficial owner of Grandiflora Hook GP Limited is Mr. Eric Li, an Independent Third Party. Mr. Li has served as a Director of Grandiflora Hook GP Limited since 2019. He has also served as a Director of Boundless Plain Holding Limited since 2018. Mr. Li has extensive experience in industry in the infrastructure construction area, and is also experienced in making equity investments in various industries, including consumer, logistics, healthcare, TMT, etc., across all stages, with some recent investments in the consumer industry including Dingdong Limited, Kanzhun Limited, etc. As Mr. Li is optimistic about the consumer industry in China, taking into account the long-term prospects of the snack market in China, historical financial performance and growth potential of the business of the Company, he believes that investing in the Company would be in the best interests of Duckling Fund, L.P.. Duckling Fund, L.P. focuses on investment opportunities being created in emerging industries driven by innovations, and traditional industries being transformed and upgraded. Duckling Fund, L.P. intends to make investments in growth-stage portfolios (and in early-stage and mature-stage portfolios where appropriate) in logistics, healthcare, TMT (including telecommunication, media and technology) and consumer industries, by acquiring, holding and disposing of such investments to provide long-term investment return to the limited partners.

(h) **Hosen Capital**:

Harmony Capital Limited was incorporated as a limited liability company in the Cayman Islands on January 15, 2020. It is a wholly owned subsidiary of the Hosen Private Equity III, L.P., a limited partnership formed under the laws of Cayman Islands, whose general partner is Hosen Private Equity III GP, LTD., which is ultimately controlled by Wang Hang and Alex Tianli Zhang. Hosen Private Equity III, L.P. primarily focuses on investment in food and other consumer sectors relating to PRC and PRC consumers.

(i) **Oceanpine Capital**:

Oceanpine Focus Fund LP was incorporated as an exempted limited partnership under the laws of Cayman Islands on January 4, 2021. The general partner of Oceanpine Focus Fund LP is Oceanpine Growth (Cayman) Limited, an exempted company incorporated in the Cayman Islands with limited liability, which is wholly owned by Dave Liguang Chenn. Oceanpine Focus Fund LP is an investment fund principally focusing on investment in new consumption areas.

(j) **Shanghai Hongluo**:

Shanghai Hongluo is a partnership incorporated in China (Shanghai) Pilot Free Trade Zone on June 15, 2021, with Henan Asset Management Co., Ltd (河南資產管理有限公司) as the general partner and Luohe Economic and Technological Development Zone Hongsheng Fund Partnership (Limited Partnership) (漯河經濟技術開發區泓晟基金合夥企業(有限合夥)) ("**Luohe Hongsheng**") as its limited partner. Henan Asset Management Co., Ltd is ultimately controlled by Henan Provincial Department of Finance (河南省財政廳). The general partner of Luohe Hongsheng is Henan Asset Fund Management Co., Ltd (河南資產基金管理有限公司), which is wholly owned by Henan Asset Management Co., Ltd and ultimately controlled by Henan Provincial Department of Finance. The limited partners of Luohe Hongsheng are Henan Hongze Equity Investment Fund (Limited Partnership) (河南泓澤股權投資基金 (有限合夥)) and Luohe Economic Development Zone Investment Development Co., Ltd (漯河經濟開發區投資發展有限公司), which are ultimately controlled by Henan Provincial

Department of Finance and Luohe Economic and Technological Development Zone Management Committee (漯河經濟技術開發區管委會) respectively. Shanghai Hongluo focuses on investment in high technology, intelligent manufacturing and consumption industries.

To the best knowledge of our Directors, each of the Pre-IPO Investors is an Independent Third Party.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

On the basis that (i) the Listing Date, being the first day of trading of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the Pre-IPO Investments, and (ii) all special rights granted to the Pre-IPO Investors will be terminated upon completion of the Global Offering, the Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance (HKEx-GL29-12) on pre-IPO investments issued by the Stock Exchange on October 13, 2010 and as updated in March 2017, and the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017. 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-IPO Investments as no convertible instrument was issued.

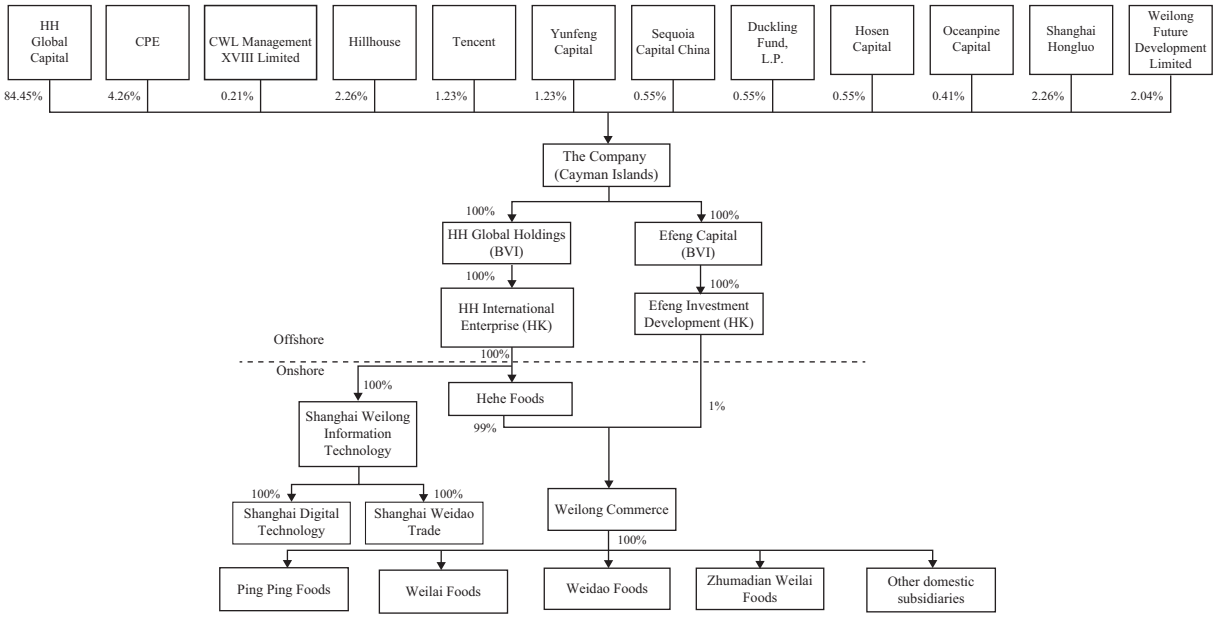
ISSUANCE OF ORDINARY SHARES PURSUANT TO THE RSU SCHEME

On May 7, 2021 and April 27, 2022, the Company allotted and issued 41,389,000 and 4,509,681 ordinary shares, respectively, to Weilong Future Development Limited, representing in aggregate approximately 2.04% of the total issued Shares of the Company prior to the Global Offering, to be held on trust by SWCS Trust Limited for the benefit of RSU Participants. All such shares held on trust by SWCS Trust Limited will be abstained from voting at the general meetings of the Company, and such shares will not be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

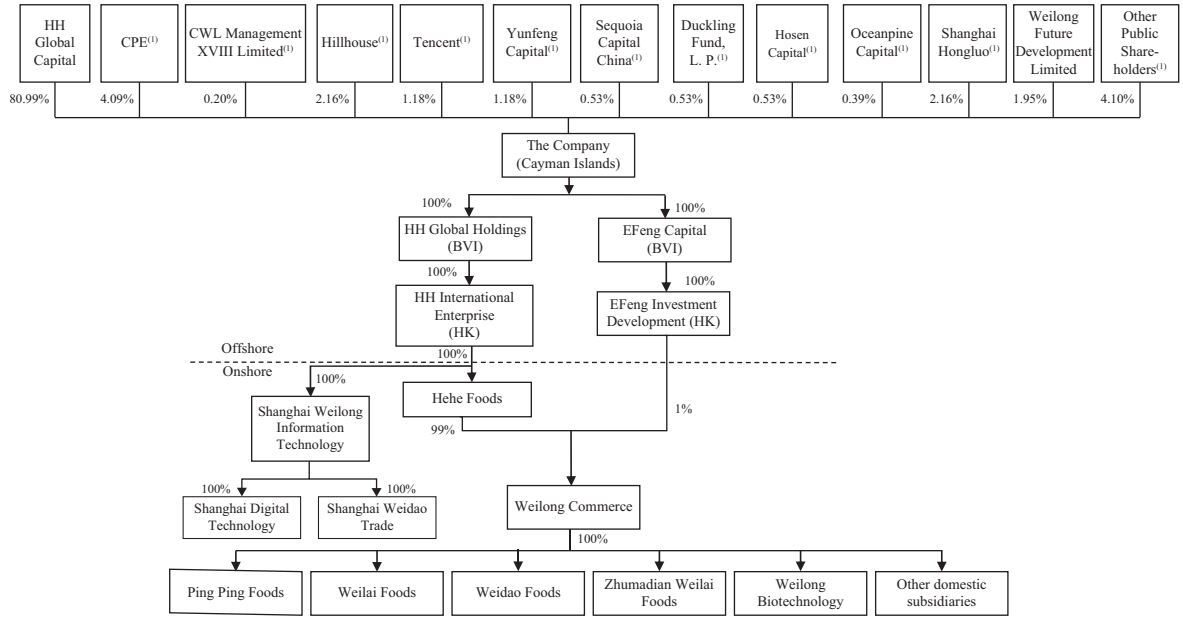
CORPORATE AND SHAREHOLDING STRUCTURE

The following charts illustrate our shareholding and simplified shareholding structure (1) immediately prior to completion of the Global Offering and (2) immediately after the completion of the Global Offering (assuming that the Over-allotment Option has not been exercised)

(1) Immediately prior to the completion of the Global Offering



(2) Immediately after the completion of the Global Offering (assuming that the Over-allotment Option has not been exercised)



(1) counted as public float.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors advised that the Reorganization has been conducted in compliance with applicable laws and regulations of the PRC and all necessary regulatory approvals in connection with the Reorganization have been obtained.

M&A Rules

According to M&A Rules, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controlled, the acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company by paying the acquisition price with equity interests, the overseas listing of that special purpose company shall be subject to approval by the CSRC. As advised by our PRC Legal Advisors, since Weilong Commerce is no longer a domestic company at the time of acquisition of 99% equity interest of Weilong Commerce by Hehe Foods, the M&A Rules is not applicable to the acquisition. Our PRC Legal Advisors further confirmed that no approval from MOFCOM is required for the aforesaid acquisitions.

SAFE registration

Pursuant to SAFE Circular 37, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Pursuant to SAFE Circular 13, promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisors, each of Mr. LIU Weiping and Mr. LIU Fuping, who is known to us as being a PRC citizen, completed the initial registration in compliance with the SAFE Circular 37 on August 20, 2018.

OVERVIEW

We are a leading spicy snack food company in China with strong growth momentum and an influential brand. According to Frost & Sullivan, in terms of retail sales value in 2021, we ranked first among all spicy snack food enterprises in China, with a market share of 6.2%, and ranked first in each of the seasoned flour product and spicy vegetable snack product categories. Weilong is a popular snack food brand among young consumers in China. According to Frost & Sullivan, 95.0% of our consumers are at or under the age of 35, and 55.0% are at or under the age of 25, and we are the most well-recognized and favored spicy snack food brand among consumers in China and the No. 1 snack food brand in terms of brand awareness among those at or under the age of 25.

We specialize in turning authentic Chinese gourmet into casual snack food that consumers can enjoy anywhere and anytime. To fulfill our mission "to let the world fall in love with Chinese flavors", we are committed to adhering to the value of "being a consumer-centric and innovation-driven organization." ("外以消費者體驗為中心、內以創造者為本"), and making authentic Chinese gourmet more entertaining, casual, convenient and affordable, and to introducing more spicy snack food products that offer consumers a cheerful consumption experience.

20 years ago, inspired by traditional Chinese formulas, we started our business with seasoned flour products, also commonly known as *Latiao* (辣條). In the early years, we produced some popular seasoned flour products with enticing spicy flavor using our self-developed formulas and raw materials procured from reputable suppliers, and offered them through a broad distribution channel at affordable prices to young consumers, which helped our brand cultivate a broad customer base. Our products accompanied the youthhood of the millennials in China, who became our first loyal customers. Over the years, we continued to enhance our formulas and improve our production process and techniques to maintain our leading position in the seasoned flour product category.

We are dedicated to using household food materials, such as soybean, flour and kelp, as our main ingredients and adhere to our product development philosophy of "maximizing the intrinsic value of nature with an industrialized approach". With our outstanding product development capabilities, we have in recent years diversified into vegetable and bean-based products and launched multiple brands such as our "*Fengchi*" and "*Kiss Burn*" series. Our modern and well received products have satisfied the taste buds of generations and accumulated a broad and customer base across various age groups. In 2021, two of our product categories each generated over RMB1.0 billion in annual retail sales value, and, among them, four products each generated over RMB500.0 million in annual retail sales value.

We constantly adapt to changing purchasing behavior of consumers and have quickly expanded to supermarkets, chained convenience stores and e-commerce channels, which have wide exposure to young consumers. As of June 30, 2022, we cooperated with more than 1,830 offline distributors and our distributors' sales network covered approximately 735,000 retail points of sale in China, with significant potential for future expansion. Meanwhile, we have strengthened our presence on major e-commerce platforms. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue generated from online channels amounted to RMB250.8 million, RMB381.8 million, RMB553.8 million, RMB268.4 million, and RMB239.4 million, accounting for approximately 7.4%, 9.3%, 11.5%, 11.7%, and 10.6%, respectively, of our total revenue. In

addition, we use e-commerce and social media channels to build a trendy and engaging brand image through interactive marketing activities, turning young consumers into our natural brand promoters.

During the Track Record Period, we achieved strong growth and outstanding profitability. In 2019, 2020 and 2021, our total revenue reached RMB3,384.8 million, RMB4,120.4 million and RMB4,800.2 million, respectively. Our revenue slightly decreased by 1.8% from RMB2,302.8 million in the six months ended June 30, 2021 to RMB2,260.5 million in the six months ended June 30, 2022. From 2019 to 2021, the CAGR of our total revenue reached 19.1%, far exceeding the 4.2% CAGR of the snack food industry in China for the same period, according to Frost & Sullivan. Our net profit margin reached 17.2% in 2021, higher than the average net profit margin of approximately 10% in the snack food industry in China in 2021, according to Frost & Sullivan.

Leveraging our strong brand recognition, product competitiveness and channel distribution capability, we believe that we will continue to increase our market share and capitalize on future growth opportunities in the spicy snack food industry, which, according to Frost & Sullivan, is expected to reach a total addressable market of RMB273.7 billion by 2026.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and differentiated us from our competitors:

Leader and pioneer in the spicy snack food industry in China

We are the largest spicy snack food company in China. According to Frost & Sullivan, in terms of retail sales value in 2021, we ranked first in the spicy snack food industry in China, with a market share of 6.2%, being 3.9 times that of the second largest company, and ranked first in each of the seasoned flour product and spicy vegetable snack product categories.

We are a pioneer in the spicy snack food industry in China. Through turning authentic Chinese gourmet into casual snack food that consumers can enjoy anywhere and anytime, we have been leading the development of various categories of spicy snack food. We are among the first movers in the *Latiao* industry, and through 20 years of market cultivation, we turned *Latiao* into a sought-after snack food among Chinese consumers. In 2021, the market size of the seasoned flour product category in China, with *Latiao* as its main product, reached RMB45.5 billion in retail sales value. We have expanded into new categories such as vegetable and bean-based products and launched multiple brands such as "*Fengchi*" and "*Kiss Burn*" series, and created two product categories each generating over RMB1.0 billion in annual retail sales value and, among them, four products each generating over RMB500.0 million in annual retail sales value in 2021.

We are one of the fastest growing and most profitable enterprises in the snack food industry in China. From 2019 to 2021, the CAGR of our revenue reached 19.1%, far exceeding the 4.2% CAGR of the snack food industry for the same period, according to Frost & Sullivan. Our net margin reached 17.2% in 2021, higher than the average net profit margin of approximately 10% in the snack food industry in 2021, according to Frost & Sullivan. With the enticing nature of spicy flavors and the widespread spicy food culture in China, spicy snack food has become increasingly popular, particularly among the younger generation. In 2021, the market size of the

spicy snack food industry in China reached RMB172.9 billion in retail sales value, and is expected to grow at a CAGR of 9.6% from 2021 to 2026, outpacing the expected CAGR of 6.8% in the broader snack food industry for the same period, according to Frost & Sullivan. Leveraging our strong brand recognition, product competitiveness and channel distribution capability, we believe that we will continue to increase our market share and capitalize on the future growth opportunities in the industry.

Broad and loyal follower base cultivated by frequent consumption, creating an influential brand among young consumers

Our brand has stood the test of time. The youthful spirit of our brand has been instilled in our consumers' mind, accumulating broad follower base across various age groups. Under our well-known Weilong brand, our products, closely attuned to consumer preference and easily accessible through omni-channel at any time and anywhere, enjoy high consumption frequencies. Approximately 11 billion individual packs of our products, which refers to the smallest level of product package suitable for direct consumption, were consumed in 2021. In the early years, Weilong became a classic in the youthhood memory of the millennials who were attracted to the enticing spicy flavors, high quality and affordable price of our products. We form the taste memory in consumers' youthhood, establish an early emotional affinity with consumers, and build rich product portfolio with high quality to meet the diverse and evolving needs of consumers, thereby increasing our brand stickiness and enhancing our brand vitality.

We are a highly sought-after snack food brand among the younger generation in China. According to Frost & Sullivan, Generation Z and the millennials are the major consumption force in the snack food industry in China, representing 38.0% of the country's population and 68.8% of snack food consumption. A consumer survey conducted by Frost & Sullivan indicated that 95.0% of our consumers were at or under the age of 35 and 55.0% were at or under the age of 25. We are also the most well-recognized and favored spicy snack food brand among consumers in China and the No. 1 snack food brand in terms of brand awareness among those at or under the age of 25. In 2021, Bilibili launched 2021 Bilibili Top 100 Popular Chinese Products among Young People (2021 嗶哩嗶哩百大年輕人喜愛的中國產品) event and our Weilong Gift Pack (衛龍大禮包) won the award of "Top 100 Popular Chinese Products among Young People". The younger generation of consumers in China grew up in the digital era and enjoy sharing topical and fun events on social media. Through e-commerce and social media channels with large exposure to young people, we carry out interactive marketing activities, turning young consumers into our natural brand promoters. We are dedicated to raising our brand awareness, enhancing our brand influence and strengthening the rapport with our consumers, especially young consumers.

Continuous Upgrade of Existing Products and Introduction of New Products that makes authentic Chinese gourmet entertaining, casual, convenient and affordable

Inspired by authentic Chinese gourmet, we strive to develop, introduce and promote snack food with a distinctive Chinese feature. We adhere to our product development philosophy of "maximizing the intrinsic value of nature with an industrialized approach", conduct rigorous and in-depth fundamental research, and use advanced production techniques to retain food's original flavor and nutritional content to the greatest extent. We use household food materials as our main ingredients, and with a consumer-centric approach and guided by our vision of making our products "entertaining, casual, convenient and affordable", we lead the efforts of turning

authentic Chinese gourmet into casual snack food. We continue to roll out new products with high quality and affordable price to satisfy the needs of consumers of different age groups and at different consumption occasions, providing them with a cheerful experience.

We have a diversified product portfolio that drove our revenue growth during the Track Record Period. Our ability to continuously launch new products is key for us to grow from the leader in the seasoned flour products into the leader in the broader spicy snack food industry. Benefiting from our continuous upgrade of existing products and introduction of new products, brand recognition and nationwide sales and distribution network, our capability to launch new products keeps improving. In particular, in recent years, we have rolled out popular vegetable products widely recognized by the market. For example, our "*Fengchi Kelp*" uses kelp stipes as its raw material, and through pasteurization technology and streamlined processes, fully retains the original freshness, fragrance, tenderness, crispness and color of the kelp. Well received by consumers, "*Fengchi Kelp*" reached RMB100.0 million in retail sales value within one year after launch. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we have generated RMB665.0 million, RMB1,167.5 million, RMB1,664.1 million, RMB793.0 million and RMB817.6 million, respectively, from our vegetable products, amounting to 19.6%, 28.3%, 34.7%, 34.4% and 36.2% of our total revenue, respectively. We continue to enhance the flavor and stability of our seasoned flour products through the upgrade of ingredients, production and packaging techniques, and introduce new products into our seasoned flour product category with 49 SKUs as of the Latest Practicable Date. Furthermore, we launched brands such as "*Fengchi*" and "*Kiss Burn*" series to build a multi-category and multi-brand portfolio, which solidifies our overall market position and enhances the competitiveness and incentives of our distributors, facilitating our continuing expansion of retail points of sale and shelf space while reducing risks associated with product concentration.

Our R&D model which integrates different teams forms the core of our product development. We built R&D teams in food technology, industrialized production techniques and packaging and preservation technology, pairing technical talents with them to conduct in-depth specialized research. Through close collaboration among teams, we integrate the technologies in each module across multiple product development phases, which significantly improves the speed and success rate of our existing product upgrade and new product launch. Our R&D team members specialize in various fields such as food engineering, biotechnology, polymer materials, food nutrition and packaging design. Meanwhile, we share a long-term cooperative relationship with Jiangnan University, a well-known university in the food science industry, with which we jointly established a laboratory of food science and technology and developed our talent reserves, to strengthen our edge in product and technology R&D.

Omni-channel sales and distribution network with a huge growth potential that effectively reaches young consumers

We have established sales and marketing channels with wide exposure to the younger generation. In the early days, we established effective reach to consumers in their youthhood and started our brand education early. With the rise of modern and online sales channels, we have quickly adapted to the evolving purchasing behavior of consumers and expanded to supermarkets, chained convenience stores and e-commerce channels, which have wide exposure to young consumers. We continue to use entertaining marketing campaigns to enforce a trendy and fun image of Weilong in consumers' mindset, turning young consumers into our natural brand promoters as

they forward or re-post our marketing campaigns on various social media channels. We leverage the Internet and social media to enhance our youthful brand image through topical events and cross-brand marketing, and, as a result, form emotional resonance with young consumers. We have also been cultivating a broad and loyal follower base through social media.

We have an expansive sales and distribution network that deeply penetrates the Chinese market. As of June 30, 2022, we cooperated with more than 1,830 offline distributors which covered approximately 735,000 retail points of sale in China. As of June 30, 2022, our products were sold through distributors to over 140 national or regional operators for hypermarkets, supermarkets and chained convenience stores. According to Frost & Sullivan, our potential target retail points of sale could reach over three million nationwide, indicating immense potential for future expansion. We are committed to enhancing our distribution network management with distributors in different tiers of cities with tailored strategies. Since 2020, in lower-tier cities, we endeavored to enhance our distribution network management with distributors with strong local resources and empower them to more effectively manage and serve their designated retail points of sale, so as to improve the service quality, increase single-store sales and expand our shelf space at retail points of sale. In certain Tier 1 and Tier 2 cities, we have been establishing local sales offices and internal sales force to facilitate distributors to better serve retail points of sale especially for national or regional hypermarkets, supermarkets, chained convenience stores, and scaled standalone retail stores, by coordinating in-store product display, marketing activities and product promotion, so as to increase retail shelf space and single-store sales. We continue to improve efficiency in managing our sales channels by developing and utilizing our information systems. Our proprietary sales management system is expected to monitor, and track in real time, the inventory level in our distribution network. We strive to establish our visibility and control over retail points of sale through digital assistance to distributors and our timely guidance on their procurement and sales activities.

We established our presence in major e-commerce platforms and actively expand our online business as a complement to our offline channels. We have a dedicated e-commerce team that analyzes online users and sales data to create a product mix that better suits consumers consumption habits and to continuously improve our online user engagement and back-end service capabilities. Meanwhile, we introduced various new products and gift boxes through online channels for market sounding, which plays an important role in guiding our new product R&D and large-scale manufacturing and offline distribution. From 2019 to 2021, our online business grew at a CAGR of 48.6%. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue generated from online channels amounted to RMB250.8 million, RMB381.8 million, RMB553.8 million, RMB268.4 million, and RMB239.4 million, accounting for approximately 7.4%, 9.3%, 11.5%, 11.7% and 10.6%, respectively, of our total revenue.

A focus on quality through establishing an industry-leading production system and strict quality assurance system

Producing high quality products is our principle. We strive to use high-quality ingredients, scientifically sound formulas and advanced production techniques to present the original flavor and nutritional value of raw materials used in our processed food products. We have established long-term partnerships with well-known suppliers including COFCO, Yihai Kerry and Sinograin, directly sourcing key raw materials from selected production areas, and meticulously managing product screening, transportation and strategic reserves from the

sources to maintain the quality and stability of our raw materials supply. Meanwhile, we attach great importance to accessing upstream ingredient. For example, we have established a cooperative relationship with a business partner in one of the main konjac production areas in China to ensure adequate supply of high-quality konjac. We have a team carrying out in-depth specialized research of the underlying technology of food processing and the properties of various food ingredients to make our products healthier and safer. In terms of production, we modify traditional techniques and adopt production techniques tailored to each ingredient. We focus on streamlining the process and reducing manual operations to ensure food safety and retain the intrinsic value of natural ingredients. In 2020, we participated in the formulation of the industry food safety standard for seasoned flour products, which also reflects the recognition of our high product quality from various stakeholders in society.

We strive for the advancement of our capabilities in production and quality control. Most of our production lines have achieved automation, and we have implemented strict monitoring of key parameters throughout the process. We have an electronic control and mechanical design team of more than 10 members, engaged in the R&D of automated production equipment and systems based on our process requirements. Most of our automation equipment is developed in-house. Meanwhile, we established partnerships with equipment manufacturers to automate our production procedures and upgrade our production facilities. As of June 30, 2022, we had 106 patents related to our production such as material supply, puffing, and cutting.

We have established a stringent quality assurance system with traceability from procurement to sales. We have a strict supplier screening and assessment mechanism, and have set up a thorough management system to inspect our procurement and storage process to ensure the high quality and safety of raw materials. Standardization and automation in production along with the manufacture monitoring system have significantly increased the stability of our production and product quality. We have put in place quality monitoring and management system for different products during our production and logistic process to achieve seamless integration of food safety risk management across the supply chain. Our products are in compliance with the HACCP and FSSC 22000 food safety system certifications.

Strong corporate culture and a dedicated, earnest and vigorous management team

Our team is dedicated to the mission "to let the world fall in love with Chinese flavors" and the value of "being a consumer-centric and innovation-driven organization." ("外以消費者體驗為中心、內以創造者為本"), which has made us a company dedicated to existing products upgrade and new products introduction with consumers at our core. Our founders, who are self-made entrepreneurs, have seen their roles as reshaping and spreading China's profound food culture and made unremitting efforts in the Chinese snack food industry for 20 years toward our vision. Our core management team members share consistent values, mission and cohesion, which allow them to work together to provide consumers with the best products and services, underpinned by their extensive experience in operations and management.

Our young and vibrant management team, which is equipped with high perseverance and strong entrepreneurial spirits, along with our talent training, management and incentive mechanism, has laid a solid foundation for a long-term and stable development of Weilong. Our core management team is 41 years old on average, with an average of approximately 16 years of experience in the industry. We have created an excellent

corporate culture centering on the mission "to let the world fall in love with Chinese flavors", and our management team stays true to our original mission, spreading China's profound food culture to the world.

We greatly value our social responsibilities and are committed to community welfare. We work actively to support education in rural areas and underprivileged children. We have been frequently rewarded for these efforts, including being awarded the 2020 "Award for Outstanding Contribution" in charitable collection, the 2019 "Award for Outstanding Contribution" in charity and the 2018 "Meritorious Service Enterprise Award". Moreover, since 2014, we have focused on corporate sustainability and investment in the improvement of our production environment and the upgrade of our facilities. We developed an energy management system to achieve real-time data collection, analysis and seamless management of energy consumption across various equipment.

OUR STRATEGIES

Our vision is to make authentic Chinese gourmet more entertaining, casual, convenient and affordable, embrace digital-intelligentization and ultimately build a great business that brings joy and happiness to people for 123 years. To that end, we intend to implement the following strategies:

Continue to expand product categories and improve product quality to enhance the core competency of our products

We will continue to optimize our product portfolio through the expansion of product categories and improve our product quality so as to fulfill our corporate mission "to let the world fall in love with Chinese flavors."

We strive to expand our product offerings inspired by authentic Chinese gourmet, to explore the growth potential of our existing product portfolio, and to continuously introduce new product categories.

- We will further optimize the consumption experience of our main products by introducing new flavors, upgrading packaging designs, enriching the nutritional value, and enhancing production techniques, so as to appeal to a wider range of consumers and strengthen our market leadership.

- As the strategic expansion of our product portfolio drives our long-term growth, we will focus on developing more popular products in the vegetable, meat and egg snack product categories, among others.

- In addition, to better suit different consumption occasions, such as at home or on-the-go, we intend to upgrade existing package designs and introduce new package designs and the specifications of our products to attract more consumers and increase their consumption frequencies.

We strive to enhance our core competencies in food safety and quality controls, capitalizing on our source-to-sale product quality management system.

- *Source control*: We plan to improve our food quality control system, including adopting more stringent standards in the selection of suppliers and the procurement of raw materials, improving

our capabilities in detecting and preventing food safety issues, and upgrading our testing capabilities for food nutritional content.

- *Production techniques*: We plan to widely adopt our visualized intelligent production system and online process monitoring system to achieve transparent, seamless and closed-loop quality control management.

- *Traceability management*: We intend to establish a two-way, source-to-sale traceability system covering the whole lifecycle of our products across procurement, manufacturing, sales and distribution, to ensure the food safety and improve quality of our products.

We plan to obtain certification from international food safety management systems, such as the British Retail Consortium and International Featured Standard, laying a foundation for our potential global expansion.

Continue to be devoted to brand building and enhance user engagement

As a leading company in the spicy snack food industry in China, we will further devote our efforts to brand building to enhance our brand recognition and user loyalty through the following ways:

- We will continue our brand building strategy that targets young consumers through content-based marketing, branding activities and the involvement of key opinion leaders. Meanwhile, we will explore a multi-brand strategy and expand into more product categories with growth potential and to cover wider price bands and consumer demographics. In this way, we strive to solidify our leading position in multiple segments of the snack food industry in China.

- We strive to expand our consumer base, resonate with young consumers and enhance user engagement. We plan to use big data sourced from different sales channels and social media platforms to analyze user behavior. By integrating marketing resources through various channels and platforms, we will implement more accurate and efficient marketing strategies and develop personalized consumer interactions to further enhance user stickiness and brand loyalty.

Increase the breadth and depth of our distribution network

We have built a omni-channel distribution network, and we plan to take the following measures to increase the breadth and depth of our distribution network and to further enhance our management capabilities for distribution channels in the future:

- We plan to work closely with distributors in different tiers of cities who are capable of covering a wider range of retail points of sale so as to further capture market opportunities with tailored strategies. We intend to continue to enhance our distribution network management with distributors with strong local capabilities in lower-tier cities and establish local sales offices in selected Tier 1 and Tier 2 cities to strengthen coverage and service capabilities of retail points of sale such as national or regional hypermarkets, supermarkets, chained convenience stores, and scaled standalone retail stores. As of the Latest Practicable Date, we had established local sales offices in

cities including Beijing, Guangzhou, Shenzhen, Nanjing, Hefei, Changsha, Shenyang, Suzhou, Jinan, Fuzhou, Hangzhou, Chengdu, Zhengzhou, Xi'an and Wuhan. We plan to support distributors in strengthening their operational capabilities in terms of sales management, expansion of retail coverage, logistics and shelf display, so that we can improve our management of distributors and enhance our retail presence. Moreover, as we continue to develop our proprietary sales management system, we will further enhance the efficiency of our distribution network.

- As we continue to expand our product categories and brand portfolio, we strive to expand the our sales networks to include more diversified channels, such as sales outlets in transportation network and vending machine network reaching a broader range of consumer group.

- In addition to our current coverage of mainstream e-commerce platforms in China, we will also strengthen our cooperation with other types of emerging online channels, further improve the integration of resources in our sales and distribution network and enhance the integration of our online and offline channels, In this way, we strive to further optimize our effective omni-channel strategy.

- On the premise of continuous and steady domestic growth, we intend to gradually establish our distribution network overseas in the mid to long term. We intend to prudently select local distributors in countries and areas with dense population, high GDP growth, or high disposable income per capita such as Southeast Asia and North America.

Accelerate digital intelligentization to improve our operating efficiency

To achieve our goal of "interconnection and digital intelligentization of all business processes" ("互聯互通，一切業務數智化"), we will continue to implement the digital intelligentization of our business to further enhance our operating efficiency and management capability through the following three steps:

- ***Building a data-enabled Weilong***: To achieve a paperless and data-enabled operation, we will continue to track, collect and analyze data generated through our core business processes, including R&D, manufacturing, sales and distribution, among others. For example, we will gradually leverage our data analytics capabilities to optimize warehousing and logistics management, which could improve our inventory turnover level and achieve lower warehousing and logistics costs.

- ***Establishing a digitalized Weilong***: We aim to achieve digitization across our entire business processes, key decision-making mechanisms and data systems, to enhance our operational efficiency. For example, we plan to integrate and analyze multi-dimensional data, with respect to inventory level and performance of the sales team and retail points of sale, to construct a digital analysis system that enables us to monitor in real time the efficiency of our distribution network, enabling us to further enhance our distribution management. Furthermore, we will use digitalized methods to further analyze consumer preferences and detect market trends in order to optimize our product expansion strategy.

- ***Achieving an intelligent Weilong***: In the future, we plan to exploit technologies such as big data, artificial intelligence, industrial internet and real-time computing to drive revolutions in our products and service offerings, our operation models, our organization and our corporate governance. In this way, we endeavor to achieve full-scope intelligent management, strengthen our competitive advantages and enhance our long-term core competencies.

Improve manufacturing capability and strategically expand production capacity

In order to further enhance our supply capabilities to address market demand, we strive to optimize our supply chain through various measures including expansion of our production capacity, integration of the industry value chain and upgrade through automation:

- In order to meet consumers' increasing demands for our products, we plan to complete the construction of our Luohe Xinglin Plant in Luohe, Henan Province, and build a new plant in Qujing, Yunnan Province, both of which involve the construction of warehouses, the procurement of manufacturing facilities and the recruitment of talents in manufacturing management. We plan to selectively build a new plant in Eastern China to expand our production capacity in response to demands in regional markets and future market potential.

- For our key raw materials, we plan to selectively enter into strategic alliances with, or invest in, high-quality suppliers, in order to ensure the timely supply of key raw materials with stable quality, and to minimize the risks of price fluctuation.

- We will take advantage of facility upgrade and technological innovation to increase automation level and reduce manpower in our key manufacturing processes. The investment in integrated and automated infrastructure will enable us to materialize flexible manufacturing capabilities, better satisfy the customized product preferences of consumers and realize fast response to market demand.

Further enhance our R&D capabilities and upgrade our R&D facilities and management systems

Our R&D capability is critical for us to remain at the forefront of the market. Building on our R&D facilities and integrated R&D management platforms, we strive to provide substantial support for our application technology and product development. In particular,

- With the newly established Weilong Research Institute, our R&D program will place more emphasis on basic food technology, in sub-fields such as biology, protein, starch, fermentation and preservation, through external technical support guided by the integration of industry practices and academic research. Such efforts will enable us to improve the research, product development and upgrade of our products.

- We plan to significantly increase our investment in R&D facilities, by purchasing advanced research and analytical instruments for our Weilong Research Institute and applied R&D centers, and establishing integrated software systems to achieve industry-leading R&D and applications capabilities.

- We plan to develop a modern closed-loop R&D management system, by setting up a data-enabled platform that integrates internal and external R&D resources, optimizing our module-based R&D process, recruiting more talents, and advancing our work centered on "product lifecycle management", so as to further improve our efficiency in R&D activities.

OUR BRAND AND PRODUCTS

We are the leading brand of spicy snack food in China, in terms of retail sales value and market share in 2021, according to Frost & Sullivan. We are the most well-recognized and favored brand of spicy snack food among consumers and we are the No. 1 snack food brand in terms of brand awareness among those at or under the age of 25, according to Frost & Sullivan. We have been developing and offering a variety of popular and delicious spicy snack food, bringing a cheerful consumption experience to a broad consumer base spanning multiple generations.

Our market leadership and brand power are solidified by our aspiration and continuous efforts to upgrade existing products and introduce new products that are entertaining, casual, convenient and affordable. Our products cultivated our customers' taste memories in their youthhood to establish an emotional connection with our customers, resulting in the increased purchase frequency of our products and enhanced brand loyalty. Our brand is widely recognized among Chinese consumers, especially Generation Z and the millennials, who are the major consumption force in the snack food industry in China and can easily resonate with our brand.

We focus on the R&D, manufacturing, sales and distribution of spicy snack food. We are committed to continuously upgrading our existing products and introducing new products in the Chinese snack food industry. We adhere to the principle of maximizing the intrinsic value of nature with an industrialized approach and are committed to keeping our products entertaining, casual, convenient and affordable, continuously providing consumers with a cheerful consumption experience.

- **Entertaining**: Entertainment is a fun and enthusiastic attitude towards life. We create entertaining interactions with consumers from multiple dimensions, such as product selection, packaging, naming of products and brands, through which we build emotional connections with consumers.

- **Casual**: Derived from traditional food, our products are designed with specifications suitable for various consumption occasions, turning authentic Chinese gourmet into casual snack food. Consumers can enjoy our products anywhere and anytime in various consumption occasions such as leisure activities, entertainment, travel and office hours, so as to obtain a more casual consumption experience.

- **Convenient**: We are committed to making our products easily accessible and readily available to consumers, bringing our products closer to consumers through broad and accessible channels, and enhancing the consumption experience for every package and every bite.

- **Affordable**: We are committed to providing consumers with affordable products. With premium flavors which consumers enjoy, we serve our high-quality products at a price level that consumers can purchase without burden, thus creating a cheerful consumption experience for customers.

We address the changing preferences of consumers and therefore have a growing consumer base and a high degree of customer satisfaction, created by continually rolling out popular snacks. We have a well-diversified and strategically-constructed product portfolio, covering the following categories:

- Seasoned flour products, primarily comprising *Big Latiao* (大麵筋), *Mini Latiao* (小麵筋), *Spicy Hot Stick* (麻辣棒), *Mini Hot Stick* (小辣棒) and *Kiss Burn* (親嘴燒).
- Vegetable products, primarily comprising *Konjac Shuang* (魔芋爽) and *Fengchi Kelp* (風吃海帶).
- Bean-based and other products, primarily comprising *Soft Tofu Skin* (軟豆皮), *78° Braised Egg* (78°滷蛋) and meat products.

Our products are directly contained in individual packs of different specifications, including small packs and large packs. To enable consumers to enjoy our products conveniently, we launched small packs, which are independent, bite-size packages in single servings, usually contained within larger packaging bags. We also serve some other products in large packs, which are packaging bags of larger size that directly contain such products.

We will continuously select products and offer more new types when providing existing product categories above.

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

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB (million)	%	RMB (million)	%	RMB (million)	%	RMB (million)	%	RMB (million)	%
							(unaudited)			
Seasoned flour products	2,474.6	73.1	2,690.3	65.3	2,918.0	60.8	1,401.1	60.9	1,341.4	59.3
Vegetable products	665.0	19.6	1,167.5	28.3	1,664.1	34.7	793.0	34.4	817.6	36.2
Bean-based and other products	245.2	7.3	262.6	6.4	218.1	4.5	108.7	4.7	101.5	4.5
Total	**3,384.8**	**100.0**	**4,120.4**	**100.0**	**4,800.2**	**100.0**	**2,302.8**	**100.0**	**2,260.5**	**100.0**

The following table sets forth a breakdown of our sales volume and average selling price per kg by product categories for the periods indicated:

		Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
Seasoned flour products	ton	173,296.0	179,511.4	193,598.6	94,669.9	81,588.7
	RMB/kg	14.3	15.0	15.1	14.8	16.4
Vegetable products	ton	24,130.1	41,585.4	60,699.3	29,003.5	27,861.4
	RMB/kg	27.6	28.1	27.4	27.3	29.3
Bean-based and other products	ton	11,378.9	10,161.0	7,212.7	3,665.8	2,943.4
	RMB/kg	21.6	25.8	30.2	29.7	34.4

Seasoned Flour Products

Seasoned flour products represent our most classic product category. Our seasoned flour products are mainly comprised of *Big Latiao* (大麵筋), *Mini Latiao* (小麵筋), *Spicy Hot Stick* (麻辣棒), *Mini Hot Stick* (小辣棒) and *Kiss Burn* (親嘴燒).

Big Latiao (大麵筋) and *Mini Latiao* (小麵筋) are derived from beef tendon noodle, a traditional food in Northern China, with wheat flour as its main ingredient processed through extruding and puffing processes. *Big Latiao* (大麵筋) and *Mini Latiao* (小麵筋) are flavored with spicy chili oil, with a spicy and sweet flavor, and a spongy and chewy texture. They are the most classic products under our Weilong brand.

Big Latiao (大麵筋):

bulk packs

net weight: 28g

net weight: 65g

net weight: 106g

net weight: 312g (26g per individual pack x 12 packs)

Mini Latiao (小麵筋):

bulk packs

net weight: 24g

net weight: 60g

net weight: 312g (26g per individual pack × 12 packs)

Spicy Hot Stick (麻辣棒) and *Mini Hot Stick* (小辣棒) are the extensions of *Big Latiao* (大麵筋), with a pliable and chewy texture. Our *Spicy Hot Stick* (麻辣棒) and *Mini Hot Stick* (小辣棒) have a stronger spicy flavor compared to our other seasoned flour products.

Spicy Hot Stick (麻辣棒):

bulk packs

net weight: 52g

net weight: 78g

Mini Hot Stick (小辣棒):

net weight: 50g

Kiss Burn (親嘴燒) is a soft, juicy, and thick flour slice with a chewy texture:

bulk packs

net weight: 24g

net weight: 90g

net weight: 300g

In order to meet the needs of different markets and consumers in China, our seasoned flour products have been sold in two packaging specifications, namely classic packaging and premium packaging, since 2015; we sell other products in premium packages only.

- **Classic packaging products**: our classic packaging products usually use transparent packaging. Our classic packaging products initially gained access to the market through traditional channels, which mainly include small grocery stores, non-chained convenience stores, wholesale markets and mom-and-pop stores, and gradually expanded to a wider range of sales channels.

- **Premium packaging products**: our premium packaging products usually use non-transparent packaging. Our premium packaging products initially gained access to the market through modern channels, such as supermarkets and chained convenience stores, and gradually expanded to more sales channels.

The following table sets forth our revenue of seasoned flour products by packaging specifications during the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB (million)	%	RMB (million)	%	RMB (million)	%	RMB (million)	%	RMB (million)	%
							(unaudited)			
Classic packaging	1,202.2	35.5	1,266.6	30.7	1,325.4	27.6	671.3	29.2	561.1	24.8
Premium packaging	1,272.4	37.6	1,423.7	34.6	1,592.6	33.2	729.8	31.7	780.3	34.5
Total	**2,474.6**	**73.1**	**2,690.3**	**65.3**	**2,918.0**	**60.8**	**1,401.1**	**60.9**	**1,341.4**	**59.3**

Vegetable Products

Our vegetable products mainly comprise *Konjac Shuang* (魔芋爽) and *Fengchi Kelp* (風吃海帶), which are low in calorie and have a crispy texture.

Konjac Shuang (魔芋爽) uses konjac grown at a high altitude as its main ingredient. It is processed through the traditional hot pot red oil cooking methods, with flavors such as spicy and sour spicy. Adopting advanced technology, *Konjac Shuang* is made into a high dietary fiber snack product which is springy, juicy, crispy, tender and with rich flavors.

bulk packs

net weight: 24g

net weight: 150g

Fengchi Kelp (風吃海帶) is derived from unprocessed kelp and selects the finest and most tasty parts as raw materials to preserve the tender and crispy texture, fresh and refreshing flavors. This retains the original nutrition and flavor to the greatest extent, integrating deliciousness and nutrition.

bulk packs

net weight: 26g

net weight: 180g

net weight: 350g

Bean-based and Other Products

In addition to seasoned flour products and vegetable products, we also produce bean-based products and other products, such as *Soft Tofu Skin* (軟豆皮) and *78° Braised Egg* (78°滷蛋).

Soft Tofu Skin (軟豆皮) is made of high-quality soybean protein, which goes through an extrusion technology to retain the original flavor, nutrition, ultra-thinness and rich taste of soybean protein. This preserves the high-quality characteristics of soybean protein, becoming the characteristic *Soft Tofu Skin* (軟豆皮).

bulk packs

net weight: 60g

net weight: 220g

Our other products mainly include products such as *78° Braised Egg* (78°滷蛋) and meat products.

*78° Braised Egg (*78°滷蛋*)* is a new product we launched in 2021. By using our unique temperature-controlled slow-cooking techniques, we strive to preserve the rich nutrients, tender texture, and delicate taste of egg white and yolk, while giving it a mellow braising taste with a little spicy flavor. Its eye-catching egg-shaped package design provides a fun experience for consumers.

net weight: 35g

net weight: 525g
(35g per individual pack × 15 packs)

The table below sets out the launch time, shelf life, suggested retail price and net weight specification of our main products in China as of the Latest Practicable Date.

Product Category	Main Products	Launch Time	Shelf Life	Suggested Retail Price per Individual Package	Net Weight per Individual Package
Seasoned flour products	*Big Latiao* (大麵筋)	2008	120 days	RMB 1.0 – 18.8	28g, 65g, 100g, 102g, 106g, 312g, bulk
	Mini Latiao (小麵筋)	2008	120 days	RMB 1.0 – 18.8	24g, 26g, 60g, 280g, 312g, bulk
	Kiss Burn (親嘴燒)	2010	150 days	RMB 1.0 – 18.8	24g, 90g, 260g, 300g, bulk
	Spicy Hot Stick (麻辣棒)	2018	120 days	RMB 3.0 – 29.9	52g, 78g, 100g, 540g, bulk
	Mini Hot Stick (小辣棒)	2018	150 days	RMB 5.0	50g
Vegetable products	*Konjac Shuang* (魔芋爽)	2014	180 days	RMB 1.5 – 29.8	24g, 50g, 150g, 350g, bulk
	Fengchi Kelp (風吃海帶)	2019	180 days	RMB 1.5 – 29.8	26g, 50g, 180g, 350g, bulk
Bean-based and other products	*Soft Tofu Skin* (軟豆皮)	2015	180 days	RMB 1.5 – 29.8	16g, 30g, 60g, 220g, bulk
	78° Braised Egg (78° 滷蛋)	2021	120 days	RMB 3.0	35g

OUR SALES CHANNELS

We distribute our products through our offline channels and online channels. The table below sets out a breakdown of our revenue by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Offline channels[1]	3,133,928	92.6	3,738,582	90.7	4,246,420	88.5	2,034,446	88.3	2,021,169	89.4
Online channels	250,838	7.4	381,775	9.3	553,780	11.5	268,396	11.7	239,360	10.6
– Online distribution[2]	144,034	4.2	230,677	5.6	302,289	6.3	153,590	6.7	117,861	5.2
– Online direct sales[3]	106,804	3.2	151,098	3.7	251,491	5.2	114,806	5.0	121,499	5.4
Total	**3,384,766**	**100.0**	**4,120,357**	**100.0**	**4,800,200**	**100.0**	**2,302,842**	**100.0**	**2,260,529**	**100.0**

(1) Offline channels mainly include distribution through our offline distributors. During the Track Record Period, our revenue generated from offline channels other than offline distributors was immaterial.

(2) Online distribution refers to the sales model under which we distribute goods to online retailers such as Tmall Supermarket and JD Supermarket, or other online distributors, who then sell our products to consumers.

(3) Online direct sales refers to the sales model under which we sell products directly to consumers through our self-operated online stores on multiple third-party online platforms, such as Tmall, JD.com, Pinduoduo, Douyin, and Kuaishou.

Offline Channels

We have a nationwide distribution network that deeply penetrates the Chinese market. As of June 30, 2022, we cooperated with more than 1,830 offline distributors which covered approximately 735,000 retail points of sale in China. We implement a strict screening and evaluation mechanism and from time to time visit distributors and retail points of sale to monitor their performance. We had an increasing percentage of revenue attributed to our offline corporate distributors during the Track Record Period. Meanwhile, we also strategically engaged offline individual distributors to explore new markets, especially in counties, as individual distributors can leverage their local resources and knowledge to cover retail points of sale. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, 48.5%, 49.9%, 49.7%, 47.9% and 51.1% of our offline distributors were corporations, contributing to 51.9%, 56.9%, 61.4%, 60.9% and 62.8% of our revenue from offline channel, respectively, while the remaining were individuals. According to the information collected from our distributors, as of June 30, 2022, among our 1,832 offline distributors registered in China, most of the individual distributors covered 300 to 850 retail points of sale, had 3 to 7 vehicles, and had 3 to 9 employees, and most of the corporate distributors covered 200 to 1,000 retail points of sale, had 2 to 8 vehicles, and 3 to 12 employees. As of June 30, 2022, we engaged 38 overseas distributors, for the distribution of our products in markets such as Southeast Asia and North America.

The table below sets forth a breakdown of number of our offline distributors in China by geographic location of the offline distributor's registered office during the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Number	%	Number	%	Number	%	Number	%	Number	%
Eastern China	412	15.9	279	14.3	272	14.1	291	13.5	275	15.0
Central China	604	23.3	413	21.2	395	20.5	408	19.0	374	20.4
Northern China	482	18.6	416	21.3	361	18.8	492	22.9	343	18.7
Southern China	342	13.2	281	14.4	294	15.3	309	14.4	274	15.0
Southwestern China	387	14.9	289	13.9	305	15.9	326	15.1	288	15.7
Northwestern China	365	14.1	272	14.8	297	15.4	326	15.1	278	15.2
Total	2,592	100.0	1,950	100.0	1,924	100.0	2,152	100.0	1,832	100.0

The table below sets forth a breakdown of number of our offline distributors in China by city tiers of the offline distributor's registered office during the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Number	%	Number	%	Number	%	Number	%	Number	%
Tier 1 Cities and Tier 2 Cities	554	21.4	449	23.0	440	22.9	492	22.9	433	23.6
Lower-tier Cities	2,038	78.6	1,501	77.0	1,484	77.1	1,660	77.1	1,399	76.4
Total	2,592	100.0	1,950	100.0	1,924	100.0	2,152	100.0	1,832	100.0

We mainly adopt a single-layer distribution model. For each geographical region, we choose a certain number of distributors who are key to our business expansion and cooperation in the region. Our criteria for selecting potential distributors include their reputation, market coverage, industry experience, track record, financial condition, warehousing and delivery capabilities, management capabilities and ability to penetrate retail points of sale. We usually deliver products to distributors after they have made payment and generally do not accept returns or exchange of products from distributors except for quality issues that occur during the warranty period of the product.

We have formulated general guidance at the headquarter level as well as detailed working principles for procuring new offline distributors. Criteria for potential offline distributor selection include scale of business, size and quality of employee team and transportation capabilities. When we enter a new region or market, we initially identify retail points of sale for snack food and other fast-moving consumer goods with strong sales performance and favorable location, and seek to obtain information in relation to the distributors they work with, which may become our potential offline distributors in the region. We also periodically attend fairs and expositions such as the China Food and Drinks Fair to identify and engage new distributors. After identifying appropriate distributors, our regional operational managers will conduct a preliminary discussion of cooperation with them and gather their background information for internal assessment.

We regularly visit our distributors and review their performance to maintain efficient operation of our distribution system. We have established an in-house service team responsible for monitoring distributors and retail points of sale by visiting them from time to time, which consisted of 423, 732, 675, and 737 employees as

of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Our service team visits our distributors to ensure they are able to manage the retail points of sale according to the business planning manual. The business planning manual lays out various operation guidelines such as procurement of new retail points of sale, display and exhibition of our products, implementation of promotion activities, and analysis of the operation performance. Our service team helps the distributors to understand and implement the business planning manual, and update the manual from time to time. In addition, our service team helps the distributors review their retail points of sale management and business performance, and examines whether the distributors have exercised reasonable management of the retail points of sale.

We have reasons to believe the above measures are effective in managing our distribution network and enabling the distributors to manage and monitor the retail points of sale. Our service team evaluates distributors based on their creditworthiness, inventory level in the regions of distribution, performance in developing and expanding distribution network, improvement in operating capabilities and sales performance. We also implement a series of policies covering the management of our distributors, such as the management of inventory turnover days and requirements for distributors to regularly visit retail points of sale. On average, our service team paid 10 to 23 visits to our distributors and 72 to 148 visits to retail points of sale per employee every month during the Track Record Period. With our proprietary sales management system, we are able to more effectively monitor the sales at our retail points of sale. See "– Information Technology." We have also supported distributors to enhance their retail points of sale management capabilities, such as encouraging our distributors to designate their employees as sales specialists to visit retail points of sale and collect relevant information with our proprietary sales management system.

In some cases, when our distributors cannot directly cover remote or unfamiliar markets in their designated areas, some of our distributors may further sell our products to sub-distributors. In general, we do not enter into contracts with such sub-distributors, thus having no control over sales activities of such sub-distributors. According to Frost & Sullivan, it is a common industry practice for practitioners in the industry in which we operate to rely on third-party distributors to sell the practitioners' products to sub-distributors and retailers without entering into contractual relationships with such sub-distributors and retailers. From 2019, in order to further enhance market penetration, we adjusted the sales region of some of our distributors, and selectively established direct supply and distribution relationships with original sub-distributors under such distributors. As we continue to improve our management of distributors and enhance our retail presence, we expect that the contribution by such sub-distributors will decline gradually.

In general, our offline distributors are responsible for managing their sub-distributors, including ensuring that the sub-distributors' operations are in line with our overall sales and distribution strategy. To the best of our knowledge, our distributors will visit their sub-distributors from time to time to monitor the market conditions, sales and inventory levels. In the event of any violation or misconduct of sub-distributors identified by our distributors, our distributors will accordingly notify the relevant sub-distributors and request them to take corrective and rectification measures. In case of failure to promptly correct or rectify the relevant violation or misconduct, our distributors may terminate the business relationship with relevant sub-distributors.

We believe that our sales correspond to actual end-consumers demand and therefore our products are at low risk of channel stuffing in our distribution network, because (i) most of the time we deliver products to

distributors after they have made payment and, to the best of our knowledge, some of our distributors also deliver products to sub-distributors after the sub-distributors have made payment to distributors; (ii) we generally do not allow returns of products sold to distributors, except for quality issues that occurred during the warranty period. To the best of our knowledge, the same approach is generally adopted during the sales from our distributors to their sub-distributors; (iii) we require our distributors to report to us regularly on, and to maintain a reasonable level of, their inventory; and (iv) our products generally have a short shelf life of 120 – 180 days. After we adopt our proprietary sales management system, we expect to be able to monitor, and track in real time, the inventory level in our distribution network. See "– Information Technology."

The table below sets out the total number of offline distributors and their movements for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Number of distributors at the beginning of the period	1,849	2,592	1,950	1,950	1,947
Number of new distributors for the period[1]	1,297	1,490	729	509	256
Number of terminated distributors for the period[2]	554	2,132	732	306	333
Net increase (or decrease) in number of distributors for the period	743	(642)	(3)	203	(77)
Number of distributors at the end of the period	2,592	1,950	1,947	2,153	1,870

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

2. Terminated distributors refer to distributors that terminated their collaboration with us and closed their accounts with us in a particular period.

During the Track Record Period, we adopted an active expansion strategy for our distribution network, and developed a considerable number of new distributors. Meanwhile, we also proactively sought for the optimal distribution management strategy that best fits for our business development. Through stringent management standards, we terminated our business relationship with a number of distributors that failed to deliver satisfactory sales performance as we expected, that lacked sufficient operational capabilities, that failed to engage in active transactions within certain period of time, and that failed to strictly follow our management policies for distributors. Consequently, we were able to keep developing and optimizing our offline distribution network. During the Track Record Period, changes in the number of our distributors are due to the following reasons:

In 2019, we commenced our business relationship with 1,297 new distributors, mainly due to our efforts in achieving higher channel penetration and in enhancing retail presence. We strategically and selectively established direct distribution relationships with some of the original sub-distributors under our existing distributors; in the same year, mainly due to our adoption of stringent management policies for distributors, we terminated our business relationship with 554 distributors that failed to grow business as fast as we expected, that experienced decline in sales performance, and that failed to engage in active transactions for an extended period of time.

In 2020, we commenced our business relationship with 1,490 new distributors, mainly due to our efforts in expanding our business and in achieving higher channel penetration. In the same year, we terminated our business relationship with 2,132 distributors. We replaced a relatively large number of distributors in 2020 in line

with our strategy to further expand and upgrade our offline distribution network to support our rapid business growth. We intend to engage high-quality and professional distributors to more efficiently and effectively penetrate lower-tier cities as well as to reach a broader base of potential consumers. As a result, we carried out a distributor assessment program by the end of the third quarter in 2020, during which, we valued the overall strength of a distributor from a variety of perspectives. We adopted a multi-angle scoring mechanism to perform a comprehensive assessment of distributors, primarily focusing on (i) number of employees, (ii) logistics and storage capabilities, such as number of vehicles and storage area, (iii) number of retail points of sale the relevant distributor covers, (iv) office space and internal management systems, (v) cashflow position, and (vi) term of operation and the relevant experience of the management team. We prioritized the cooperation with distributors who scored higher during such program. Apart from this distributor assessment program, we also continued to improve and tighten our distributor management policies to incentivize the distributors to improve their performance, through terminating cooperation with distributors who failed to effectively cover their designated market, those with weak sales performance, and those who failed to maintain active transactions for a certain period of time. In light of such actions to improve our distribution network, despite we experienced a decrease in the number of distributors in 2020 compared with 2019, the number of counties that our distribution network covered increased from 513 as of December 31, 2019 to 584 as of December 31, 2020.

In 2021, we commenced our business relationship with 729 new distributors, mainly due to our efforts in enhancing our retail presence in line with our expansion in distribution network and achieving higher channel penetration. During 2021, we continued to implement more stringent distributor monitoring policies and to carry out our initiatives on a larger scale of encouraging distributors to effectively cover and manage retail points of sale. In the same period indicated, we terminated our business relationship with 732 distributors due to their weak sales performance, failure to engage in active transactions for a certain period of time, and failure to follow our distributor management policies to effectively cover their designated markets. The number of counties that our distribution network covered increased from 584 as of December 31, 2020 to 623 as of December 31, 2021. With a view to improve the service quality, expand the shelf space at retail points of sale and increase single-store sales, we are committed to enhancing our distribution network management with distributors to more effectively manage and serve their designated retail points of sale.

In the six months ended June 30, 2022, we commenced our business relationship with 256 new distributors, mainly due to our efforts in expanding distribution network and achieving higher channel penetration. In the same period indicated, we terminated our partnership with 333 distributors, mainly due to their failure to engage in active transactions for an extended period of time, their weak sales performance and their failure to follow our distributor management policies to effectively cover their designated markets. The number of counties that our distribution network covered decreased from 623 as of December 31, 2021 to 592 as of June 30, 2022 with retail points of sale covered increased from approximately 690,000 as of December 31, 2021 to approximately 735,000 as of June 30, 2022, primarily because we terminated our business with certain distributors in areas with limited market potentials while continuing to expand our distribution network through enhanced cooperation with distributors to increase their coverage of retail points of sales in adjacent areas.

The average revenue generated through sales to our retained offline distributors, referring to those distributors remained in business relationship with us as of the end of each year/period, amounted to RMB1.2 million, RMB1.6 million, RMB2.0 million, RMB0.9 million and RMB1.0 million in 2019, 2020, 2021 and the

six months ended June 30, 2021 and 2022, respectively. The average revenue generated through sales to our terminated offline distributors amounted to RMB0.1 million, RMB0.3 million, and RMB0.4 million, RMB0.3 million and RMB0.3 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

As of June 30, 2022, the average length of our business relationship with offline distributors and online distributors were 32.6 months and 26.5 months, respectively, and the average length of our business relationship with our top 20 offline distributors was 50.0 months.

During the Track Record Period and up to the Latest Practicable Date, we have no material unresolved disputes or lawsuits with these terminated distributors. For distributors that have terminated their business relationship with us, if they still have inventory remaining, we will not accept their product return (except for quality issues) as stipulated in the distribution agreement; instead, we usually coordinate with other distributors to take over their remaining inventory, if any. As we primarily terminate our business relationship with distributors for (i) poor performance, (ii) inactivity over 90 days, and (iii) failure to follow our distributor management policies to effectively cover their designated markets. The terminated distributors usually reported little or no inventory. In the six months ended June 30, 2022, terminated distributors reported a total inventory of 24.8 tons at the time of termination. See "–Our Sales Channels – Offline Channels." Due to our relatively stable market coverage, our distribution network has and will remain stable, despite the termination of business relations with some distributors.

The table below sets out the revenue contribution from new offline distributors and terminated offline distributors for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
			RMB (million)		
Revenue from new offline distributors in the year/period[1]	314.9	454.1	383.9	101.7	88.1
Revenue from terminated offline distributors in the year/period[2]	63.3	663.6	313.8	84.3	92.4

(1) Refers to the revenue from the new distributors generated in the year or period of their engagement.

(2) Refers to the revenue from the terminated distributors in the year or period of their termination.

We typically enter into standard distribution agreements, which are sales and purchase agreements in nature, with our distributors. As of the Latest Practicable Date, our distribution agreements did not contain non-competing terms. The salient terms of our standard distribution agreements used during the Track Record Period are set out below:

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

- *Designated distribution area.* Offline distributors are not allowed to sell our products outside of their designated distribution areas.

- *Sales and performance target.* Distributors are incentivized to achieve or overachieve monthly and annual sales targets. We also set market performance targets for our offline distributors, including

increasing the number of retail points of sale, expanding product display and stabilizing product prices. We conduct evaluation and inspection of their sales and performance, based on which we determine the incentive scheme.

- *Pricing policy.* We are entitled to adjust the prices at which we sell products to our distributors based on market conditions.

- *Access to information.* Distributors are required to provide sales reports to us upon request. These sales reports include sales volume, sales amounts and inventory levels by retail points of sale.

- *Payment.* We require our distributors to make payment before the delivery of products.

- *Logistics.* We are responsible for delivering our products to locations agreed between distributors and us.

- *Inventory*. Distributors are required to keep a reasonable inventory level of our products in accordance with our guidelines to avoid stock shortage.

- *Obsolete stock arrangements*. We are responsible for providing products with at least two thirds of the shelf life upon arrival at the distributors' warehouses.

- *Return arrangements*. For defective products within their shelf life, offline distributors are entitled to return or exchange such products upon our confirmation.

- *Sub-distribution.* We authorize our distributors to set up and sell products to sub-distributors.

- *Termination.* We have the right to terminate the contract with distributors who breach the distribution agreement. We list several conditions that may result in breach of contract in the distribution agreements, including occasions where distributors fail to purchase products from us for 60 consecutive days, or fail to reach the performance target in accordance with the agreement for three consecutive months.

- *Permitted Product for Sale (not in use in standardized contract since 2021).* Distributors are not allowed to sell other companies' products in the same category with our products or in competition with our products, products that counterfeit our products, or our products that are expired, spoiled, or otherwise defective.

We believe that our standard distribution agreements enable us to sufficiently incentivize the distributors to actively market and sell our products and provide us with sufficient control over the distribution network.

We did not rely on any single distributor or a small number of distributors during the Track Record Period. Our revenue from any single offline distributor accounted for no more than 3.0% of our total revenue for each year/period during the Track Record Period. See "– Our Customers."

We formulate and implement stringent policies to prevent existing employees from working for or owning equity in any of our distributors. When any former employee of ours becomes an employee of one of our distributors, or has equity in one of our distributors, we require our distributors to notify us. In addition, our internal control policy ensures the equal treatment of our distributors. During the Track Record Period, none of our existing or former employees were the legal representatives or executive managers of our distributors. To our best knowledge, during the Track Record Period, all of our distributors were Independent Third Parties. To our best knowledge, the offline 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.

Online Channels

To complement our offline channels, we also sell our products through our online channels, either under our online direct sales model, or under our online distribution model. Under our online direct sales model, we sell products directly to consumers through our self-operated online stores; under our online distribution model, we sell our products to online retailers and online distributors for them to further distribute our products on their platforms or online stores to consumers. Revenue generated from online channels (including online direct sales model and online distribution model) in 2019, 2020 and 2021 grew at a CAGR of 48.6%. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue generated from our self-operated online stores on third-party online platforms amounted to RMB106.8 million, RMB151.1 million, RMB251.5 million, RMB114.8 million and RMB121.5 million, respectively, accounting for approximately 3.2%, 3.7%, 5.2%, 5.0% and 5.4%, respectively, of our total revenue in the same periods. During the same periods, revenue generated from online distribution, including online retailers and online distributors, amounted to RMB144.0 million, RMB230.7 million, RMB302.3 million, RMB153.6 million and RMB117.9 million, respectively, accounting for approximately 4.2%, 5.6%, 6.3%, 6.7% and 5.2%, respectively, of our total revenue.

Online direct sales: We sell products directly to consumers via our self-operated online stores on third-party online platforms, including Tmall, JD.com, Pinduoduo, Douyin, and Kuaishou. As of the Latest Practicable Date, we did not sell our products through our official website or operate any online sales platform. Consumers can place orders for our products in our self-operated online stores and make payments via online payment channels. Under our online direct sales model, we are responsible for the logistics, fulfillment and after-sales services of the orders. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue generated from our self-operated online stores on third-party online platforms amounted to RMB106.8 million, RMB151.1 million, RMB251.5 million, RMB114.8 million and RMB121.5 million, respectively, accounting for approximately 3.2%, 3.7%, 5.2%, 5.0% and 5.4%, respectively, of our total revenue in the same periods.

Online distribution: We distribute our products to customers via well-known online retailers, including Tmall Supermarket and JD Supermarket. At the same time, we also sell our products to online distributors, and such online distributors sell our products to consumers, primarily through third-party online platforms. During the Track Record Period, revenue generated from online distribution, including online retailers and online distributors, amounted to RMB144.0 million, RMB230.7 million, RMB302.3 million, RMB153.6 million and RMB117.9 million, respectively, accounting for approximately 4.2%, 5.6%, 6.3%, 6.7% and 5.2%, respectively, of our total revenue in the same periods.

We typically enter into sales and purchase agreements with our online retailers. The salient terms of our sales and purchase agreements used during the Track Record Period are set out below:

- *Duration.* The duration of the sales and purchase agreements is typically around 12 months.

- *Rights and Obligations.* We are generally responsible for supplying the products to the online retailers. Online retailers are generally responsible for displaying the products we sell through their channels, providing users with tools or modules to search and sort information, and arranging logistics and after-sale service of the orders.

- *Sales and performance target.* We generally do not set sales target for online retailers.

- *Pricing policy.* We sell our products to online retailers at price levels that have been mutually agreed by us and the online retailers.

- *Payment.* We deliver our products to our online retailers before our online retailers make payments to us. Depending on the specific arrangements with the online retailers, we may grant a credit period to online retailers of up to 60 days.

- *Return arrangements*. Our online retailers are entitled to return products to us for various reasons, including product quality issues, obsolete inventory, or product return from consumers to such online retailers.

- *Termination.* Either party 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.

We typically enter into standard distribution agreements with our online distributors. The salient terms of our standard distribution agreements used during the Track Record Period are set out below:

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

- *Designated distribution platform.* The distribution agreements designate the specific third-party online platforms, and the specific online stores at such third-party online platforms, that the online distributors are allowed to sell our products. Online distributors are generally not allowed to sell our products outside such designated online stores.

- *Sales and performance target.* Online distributors are incentivized to achieve or overachieve monthly, quarterly and annual sales targets. We provide online distributors that achieve or overachieve such sales targets with quarterly or annual rewards as a percentage of the sales revenue by such online distributors.
- *Pricing policy.* We are entitled to adjust the prices at which we sell products to our online distributors based on market conditions.

- *Payment.* We require our online distributors to make payment before the delivery of products.

- *Logistics.* We are responsible for delivering our products to locations agreed between our online distributors and us.

- *Return arrangements*. Our online distributors are entitled to inspect the quality of our products upon delivery, and may raise request for product returns if the volume, product types, specifications or quality of the products delivered do not match those on the sales order. After delivery and the receipt of the products, online distributors are generally not allowed to return our products.

- *Sub-distribution.* Our online distributors are not allowed to engage sub-distributors, or assign their rights or obligations to any third party, without our written consent.

- *Termination.* Either party has the right to terminate the contract with the other party, if the other party breaches the distribution agreement and fails to rectify such breach within a reasonable period of time. We have the right to terminate the contract with our online distributors if our online distributors sell our products outside their designated distribution platforms, or at a price that materially disrupts our policy.

The table below sets out the total number of online distributors and their movements for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Number of online distributors at the beginning of the period	59	56	22	22	18
Number of new online distributors for the period[1]	32	25	11	7	5
Number of terminated online distributors for the period[2]	35	59	15	1	2
Net increase (or decrease) in number of online distributors for the period	(3)	(34)	(4)	6	3
Number of online distributors at the end of the period	56	22	18	28	21

1. New online distributors refer to online distributors that started to have their initial transaction records with us in a particular year or period.

2. Terminated online distributors refer to online distributors that terminated their collaboration with us for certain reasons and closed their accounts with us in a particular period.

During the Track Record Period, we continued to manage our online distribution network by engaging new online distributors primarily as a result of the organic growth of our online business while terminating cooperations with online distributors that either failed to meet our expectation and deliver satisfactory sales performance, measured by metrics such as sales revenue or frequency of transactions, or would potentially compete with our online self-operated stores operated on third-party online platforms under our direct sales model.

Coordination between Sales Channels

Any sales carried out by distributors outside their designated geographic areas, or any sales across online and offline channels without our prior approval, will be deemed as cannibalization. To minimize cannibalization among the distributors and sales channels, we typically adopt the following measures:

- We grant specific geographical regions to our offline distributors so that we can reduce the degree of competition between different offline distributors. The distribution agreements we signed with distributors generally specify the designated geographic areas. Our distribution agreements generally prohibit the distributors from selling the products outside the respective designated geographical regions without our prior written consent;

- We coordinate our different sales channels by providing, to certain extent, products in different packaging and weight specifications. The distribution agreements we sign with distributors generally specify the types of products to be distributed. We provide gift box packaging and more combination of SKUs of products to our online distributors and online distribution platforms, compared to offline distributors. For different online platforms, we also assign differentiated products. For example, we assign products with different specifications to Tmall and our online distributors, catering to different consumer purchase preferences;

- We have established a traceability system to minimize the risk of cannibalization. Most packaged products are identifiable with a QR code on their packages of the smallest sellable unit, their wholesale box packages, and their delivery notes from us. Products sold in bulk are identifiable with a QR code on their delivery boxes and delivery notes from us. For example, we offer *Konjac Shuang* in packages and in bulk packs. Each package of *Konjac Shuang*, which contains 20 smaller single individual packs, is a smallest sellable unit to end-consumers. We sell such packaged products in wholesale boxes to our distributors. Meanwhile, *Konjac Shuang* in bulk packs are usually sold in bulk or by weight at retail points of sale to end-consumers. For such products, we sell them in delivery boxes to our distributors. All distributors are required to scan the QR code when they receive the products to record the flow of products. Receiving distributor scans the QR code on the products to confirm products receipt and complete the registration process, which allows our system to establish a link between the products and the receiving distributor. The receiving distributor is marked permanently as the first distributor. If the products carrying the QR code are sold outside the designated sales region of the first distributor, our sales team or distributors in the affected regions could easily track such on-sell activities by tracing the products through their QR code back to the first distributor;

- To avoid potential competition between our online distributors and our self-operated online stores, we have differentiated the combination and packaging of the products, catering to different consumers' needs. For example, we offer snack variety packs in our online self-operated stores and snack in bulk to our online distributors. This is because our self-operated online stores usually attract customers with higher brand awareness, who are more interested in trying out our comprehensive product selection. Meanwhile, our online distributors usually offer the

representative products of us and other brands at the same time, allowing their customers to purchase diversified products in one transaction. In addition, we sometimes provide different snack combinations and packaging for one product sold across different e-commerce platforms. We also tailor our marketing campaigns and strategies to the target consumers on the specific e-commerce platform, from white-collar workers to those who are more price sensitive, thus avoiding cross-platform competition;

- We require our distributors and employees to report cannibalization they have identified through our proprietary technology system;
- We have a team responsible for auditing any violations by distributors such as cannibalization; and
- We are entitled to terminate the distribution agreements with those distributors that are repeatedly engaged in severe cannibalization.

Pricing

Our sales prices are set with reference to various factors, such as product positioning, production costs, market competition and reasonable profit level of our distributors. Our distributors are recommended to follow our pricing system with product prices and can adjust the price of the products where appropriate. Our distributors shall not take any actions that may materially disrupt our pricing system. We recommend the same suggested retail price range to the same SKU of products sold through online and offline channels. See "– Our Sales Channels – Offline Channels." Our sales staff periodically review our distributors' selling prices through on-site checks.

Anti-Bribery and Corruption Policy

In order to maintain our reputation and integrity, we have implemented anti-bribery and corruption policy which requires our employees, distributors, and suppliers to conduct business legally and ethically. We request our suppliers and distributors to undertake in writing not to conduct non-compliances, suspicious transactions, fraud, corruption or bribery by signing *Integrity Agreement* with us. Our *Integrity Agreement* prohibits our suppliers, distributors, and employees from offering unauthorized payment, such as bribes, kickbacks, or benefit with each other.

Pursuant to our anti-bribery and corruption policy, suppliers who engage in non-compliances, suspicious transactions, fraud, corruption or bribery will be suspended and receive a fine of the highest of 1) amount that is 10-100 times of the actual bribery amount; 2) 30% of contract amount; and 3) RMB10,000. Employees who engage in non-compliances, suspicious transactions, fraud, corruption or bribery will be discharged and reported to relevant authorities in grave cases. Our anti-bribery and corruption policy also provides whistle blowing contact details including hotline and email address. Whistle blowers will receive monetary reward in the amount equal to the penalty amount under our anti-bribery and corruption policy. Information of the whistle blowers are strictly confidential.

INFORMATION TECHNOLOGY

Leveraging information technology, we effectively monitor and optimize our management system, sales, production and other processes. Our information system is based on our four major types of infrastructure, including IaaS/PaaS system, three-tier network architecture, data center and hybrid cloud, on which a series of functions such as product operation and data management are realized through the following information systems.

- **The ERP system**: We employed an ERP system to empower our sales and distribution, raw materials management, production planning, logistics and quality control. With this system, we have achieved real-time monitoring of our production equipment.

- **Our proprietary sales management system**: In respect of sales channels, since the beginning of the second quarter of 2021, we have started to adopt our proprietary sales management system, which combines functions such as management of sales orders, route planning for retail points of sale, visiting inventory management for distributors and monitoring of product display at retail points of sale. Capitalizing on this system, we are able to address the entire business process management spanning across our chain of distribution. Our proprietary sales management system helps us to empower our distributors and enhance information sharing and collaboration among our distributors, their employees, retail points of sale and us, thereby promoting the efficiency of our distribution network.

- **The item-specific serial code information system**: In addition, in respect of sales channel management, we have established an item-specific serial code information system to trace our products by adding a QR code that can be scanned and verified on the product packing box.

- **The automated warehousing recording system**: In respect of warehousing, we have established an automated warehousing recording system to ensure the real-time keeping of warehousing records.

- **The supplier relationship management system**. Our supplier relationship management system enables us to integrate resources along the supply chain, align value propositions to potentially decrease our high upfront cost, and cultivate mutually beneficial business relationships.

- **The enterprise asset management system**. We aim to manage and optimize the quality and utilization of assets throughout the lifecycle of our key equipments via our digital enterprise asset management system to lower their failure rates and maintenance costs, improve their reliability, and increase our operational efficiency.

- **The Industrial Internet of Things**. Through the wide use of smart sensors and actuators installed upon our factory, machines and equipment, together with software and applications we co-developed with an R&D partner, we have enhanced our manufacturing and industrial processes and facilitated our personnels with better data analysis capabilities, visualized decision-making panels and seamless operations.

- **The piece-wage system**: In respect of production, we have adopted a self-developed piece-rate wage system for workers, which can automatically calculate workers' wages based on their workload, thus facilitating the management of workers' wages.

- **OA process approval system**: Through our OA system, we are able to implement electronic approval procedures for our business processes that require approval, which greatly enhanced the efficiency of our operations.

- **Contract management system**: We have adopted a contract management system which manages all the contracts that we entered into through an integrated platform, leading to significant improvement in our operational efficiency.

- **Expense control and reimbursement system**: We have adopted an advanced expense control and reimbursement system, which helps us better manage our expense control process, covering business-related occasions such as travel application, ticket booking, and reimbursement. This also realizes unified monitoring and management in our business processes.

MARKETING AND PROMOTION

We design and implement entertaining branding activities and marketing promotional strategies to reinforce and add more vitality to our brands, thereby continually enlarging our consumer base and increasing customer loyalty. We believe the best marketing strategy is turning our customers into our natural brand promoters. To this end, we endeavor to increase consumer participation and interaction in building our brands, and strengthen the communication with consumers through packaging design and copywriting design.

Our marketing strategy successfully builds emotional connection with young consumers and has cultivated a stable and loyal consumer base to further enhance our brand influence. According to Frost & Sullivan, our customers are typically at or under the age of 35, who are tech-savvy with fast-paced lifestyles and are willing to pay higher prices for food with immediate gratification for trending products. We expand our reach to the younger generations through a variety of touch points, making them familiar with our brands from a young age. In addition, we combine product slogans with decorative packaging designs which are tied firmly to pop culture, creating classic, interactive and entertaining content that are well-placed in the minds of young people to further enhance brand loyalty.

Our outstanding product quality and reputation accumulated throughout the decades have placed our products among the most popular snack food for consumers. As the leader in spicy snack industry with accumulated industry experience, expertise and advanced level of R&D, we have actively undertaken advertising and product education campaigns such as seminars discussing industry standards for seasoned flour products with the CIFST and KOLs in nutrition and food safety. At the same time, we rank No. 1 among snack foods for Generation Z consumers. According to Frost & Sullivan, Generation Z consumers are longing for joy in the consumption process and are receptive to fun, amusing and trendy marketing. One of our key marketing themes is to cultivate consumers' memories and spark their nostalgia for the tastes of their youthhood, facilitating reminiscences and prolonging their emotional connection with our brands. We cooperate with famous content creators and launch attractive videos on Bilibili, catering to the media preference of Generation Z and expanding

our brand exposure. With the support from the younger generations, in 2021, we were awarded the "China-Z 100" 2021 Bilibili Top 100 Popular Chinese Products among Young People.

Set out below are some of the representative marketing events carried out during the Track Record Period:

- *Topic-based Marketing*. We created the topic of "Double Eleven, Add-on Items for You"("雙11衛你湊單") and "Weilong Latiao Gaokao Quiz" (衛龍辣條摸底考試) to celebrate the National College Entrance Examination.

- *Theme-based Products*. We developed the "Everything Can be Spicy" ("萬物皆可辣") series of peripheral products, which contributed over 1,900 million views to our brand exposure, and our *Latiao* Quilt became a hot topic in Weibo in terms of search frequency.

- *Store Interface Marketing*. Our Tmall self-operated store webpage changed to food court style during the summer, Disco style and fashion show style on Double Eleven and Excel style on Double Twelve, which made our brand appeal to a wider range of consumers.

- *Festival Marketing*. We offered Weilong *Latiao* New Year's Eve Dinner, which contributed over 70 million views to our brand exposure, and our *Latiao* Dumpling became a hot topic in Weibo.

- *Co-branded products*. We entered into co-branding partnerships with notable brands in the retail and sports sectors, to foster strategic alliances to explore new opportunities in other markets and engage with prospective consumers. For example, we launched co-branded sneakers with Anta and co-branded *Latiao* Baozi with a leading new retail platform.

We strategically utilize multiple marketing vehicles through a combination of offline channels, online platforms and social media platforms to enhance awareness and recognition of our brands and ensure comprehensive consumer exposure. We carry out themed promotional events during holiday seasons and launch free trial activities at our retail points of sale to promote our existing and new products. We also place print and digital display advertisements at salient locations in and outside retail points of sale to capture consumers' attention and kindle their interest in our products. We maintain various official social media accounts to actively engage with consumers, addressing their questions or concerns while promoting our products. Our principal Weilong official social media accounts had approximately 3.32 million followers as of the Latest Practicable Date. We also engage celebrities as brand ambassadors to market our brands, which further helps promote our brand image and increase awareness of our brands among consumers.

We have a professional and experienced marketing team. Our marketing department at our headquarters is in charge of marketing strategy, brand operation and channel development. We assign marketing directors in each of our sales regions to execute our marketing strategies and oversee regional sales and marketing efforts. We also engage third-party marketers or marketing companies to assist in implementing marketing projects, including marketing video recording.

In addition, as part of our online marketing strategies, we cooperate with internet celebrities to promote our products through live streaming on major social media platforms, to achieve broad exposure to online

consumers. We engage internet celebrities to taste test our products and share their feedback with their large network of followers.

We may enter into one-off contracts for each of our cooperation with internet celebrities. The salient terms of such contracts are set out below:

- *Cooperation Contents*. Internet celebrities provide us with mutually agreed product promotion services. We typically stipulate the products, discount prices, discount method and other details of our promotion activities in our contract with internet celebrities.

- *Payment.* Our payment to the internet celebrities typically consists of a fixed live streaming fee and a commission of 20% of the sales amount generated from the internet celebrities' promotion activities. Our commission settlement period with the internet celebrities is typically 30 days after the promotion activities.

- *Confidentiality.* Pursuant to the contracts, the internet celebrities shall not leak our commercial secrets to any third parties.

- *Termination.* We are entitled to terminate our contracts with the internet celebrities if the internet celebrities materially breach the contracts and have not taken any remedial measures within 30 days after the breach.

In line with the Administrative Measures for Online Trading taking effect on May 1, 2021, when carrying out online trading activities through online social networking, webcasting, and other online services, we display goods or services, their actual business entities, after-sales service, and other information in a conspicuous manner, or provide the link identification of the above-mentioned information. Our PRC Legal Advisor is of the view that the Company has complied with the applicable laws and regulations in relation to the aforesaid online trading activities in all material aspects.

OUR CUSTOMERS

Our customers primarily encompass distributors, and to a lesser extent, customers of our self-operated online stores are mostly individual consumers. For details of distributors, see "– Our Sales Channels." All of our five largest customers in each of 2019, 2020, 2021 and the six months ended June 30, 2022, were distributors. The revenue from our five largest customers combined accounted for 8.4%, 4.9%, 5.5% and 6.2%, respectively, of our total revenue for the periods indicated. The change in the absolute amount and contribution of revenue generated from our top five customers during the Track Record Period was primarily due to our constant expansion of distribution network and rapid growth in online channels that affected revenue contribution percentage of top five customers.

OUR RESEARCH AND DEVELOPMENT

We are committed to presenting authentic and consumer-preferred tastes with best-in-class quality and uncompromising food safety standards. To maintain our competitive edge, we engage in a variety of research and development activities and invest in upgrades, renovation and emerging technologies to meet ever-changing consumer preferences and promote the sustainable growth of sales.

We focus on the modularization of our food research and development as well as fresh-retaining and packaging technologies. We enhance our advantages in each module and further achieve synergies among the modules, simultaneously applying our technologies to the development of multiple categories of products.

As the leader in spicy snack industry with accumulated industry experience, expertise and advanced level of R&D, we worked with the CIFST and other academic institutes and associations in drafting the Industry Standards for Seasoned Flour Products (QB/T 5729-2022), which was promulgated by the Ministry of Industry and Information Technology on April 24, 2022 and came into effect on October 1, 2022. In July 2022, we assisted the CIFST to host a seminar discussing the abovementioned industry standards, which provided guidance for the development of the industry in the long term. The new standard will significantly reduce the number of varieties of food additives and lower the content of salt and oil in seasoned flour products, and is expected to raise entry barriers to the players in the industry. Leading players with higher operating standards could benefit from the rising industry standard and gain more market share in the future.

Product Research and Development

We rely on research and development efforts to yield new products and upgrade the existing products to spur consumption desires of consumers. We invest in advanced technology in connection with product development and upgrades. In order to offer a wider array of specialty snack food, we search for suitable ingredients in large and easily accessible quantities and subsequently develop fun and healthy products that appeal to consumers according to the principles of making Chinese gourmet more entertaining, casual, convenient, and affordable. Depending on market conditions, we typically develop more than one to two new products to market each year. As of the Latest Practicable Date, we had more than four products in the research and development pipeline. Specifically, we plan to launch new vegetable products in 2024, and new bean-based and other products, including bean-based products, meat-based products, and meal replacement products from 2023 to 2025. Our research and development phase usually lasts for approximately one year. We will then conduct online and offline market testing and analysis for our new products during the product introduction phase, which typically lasts one year.

In order to maximize the intrinsic value of nature with an industrialized approach, we partner with academic institutions to apply modern technology to our product development process. For instance, we have jointly established a laboratory with Jiangnan University (江南大學) to adjust our ingredient selection and production techniques, excavate functional components of our products and further upgrade our existing products and introduce new products.

In order to better understand consumer needs, we track and collect real-time consumption data, including consumers' comments and preferences, through our self-operated online stores. We may also engage third-party data providers to collect market data and media data.

Production Techniques Research and Development

In order to ensure the quality and stability in the flavor and taste of our products, we continuously enhance production techniques and renovate our equipment in pursuit of efficiency enhancement, cost reductions and process modularization. Our development team is responsible for developing and upgrading our automated

production lines in-house or in collaboration with our third-party equipment manufacturer partners. As of June 30, 2022, most of our production lines were developed in-house or developed through collaboration with our third-party equipment manufacturer partners.

Research and Development Investment and R&D Team

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our total investment in research and development activities were RMB15.9 million, RMB24.2 million, RMB33.5 million, RMB10.1 million and RMB23.5 million, respectively.

We have established two applied research and development centers, one in Henan and the other in Shanghai, and established our Weilong Research Institute in Henan. The applied research and development center in Henan will mainly focus on the upgrade and iteration of our existing products, and the optimization of our production techniques and facilities, whereas the applied research and development center in Shanghai will mainly focus on the development of new products. Our Weilong Research Institute focuses on the research of basic food technology, which is equipped with liquid chromatograph, liquid mass spectrometer, gas chromatograph, gas mass spectrometer, texture analyzer, near-infrared analyzer, lipid oxidation stability analyzer and automatic nitrogen analyzer. Leveraging our matured instrumentation technology, testing instruments and laboratory management system, our Weilong Research Institute has the testing capability for risk hazards. It also has food physical properties research capability, food flavor research capability and food biotechnology research capability.

We have a professional and experienced research and development team. As of the Latest Practicable Date, we had 83 research and development professionals, and approximately 56.6% of whom have postgraduate degrees, with specialties covering food engineering, food safety and nutrition, polymer chemistry, biology, inspection and testing and other fields. We have teams of experts specialized in diverse areas, including a team for the research and development of packaging materials with emphasis on material structure, user experience and suitability evaluation. We have established a team for fundamental research responsible for biotechnology, flavor research, inspection science, physical property research, food nutrition and safety research and other basic food technologies, as well as an application research and development technical team focusing on seasoned flour products, vegetable products, and bean-based and other products. We regularly organize employees to participate in industry associations and exhibitions in such fields. We conduct regular technical exchanges with suppliers and scientific research institutions in various professional fields, and we have set up an internal research and development forum to conduct product technology exchanges and training to maintain our team's professionality.

OUR PRODUCTION

According to Frost & Sullivan, automation in Chinese traditional food processing enterprises is currently under development, and there is still a large gap between the levels of food industry production techniques in China and those in western developed countries. In terms of the Chinese traditional food processing enterprises, we pioneered in the production and quality control in the spicy snack food industry. We strictly monitor the key parameters of production lines.

Automation and standardization define our production techniques. As of the Latest Practicable Date, most of the key production techniques for our vegetable products and the majority of the key production techniques for

our seasoned flour products and bean-based and other products are automated. Automation and standardization in our production lead to several advantages:

- Precise quality control: with automated production techniques, the temperature, pressure and processing time for each key step in the production techniques can be accurately controlled, making quality control much easier and resulting in products of higher quality.

- Reduction in labor and energy costs: automated production techniques can effectively reduce costs in labor and energy. Given our increasingly automated processes, our energy consumption per ton is gradually reduced. For example, the average electricity consumption of konjac products per kilogram continued to decrease during the Track Record Period.

Meanwhile, to maximize production efficiency and broaden our product portfolio, we also cooperate with reliable OEM suppliers for the production of products that we sell in relatively smaller amount, such as fish tofu. We engage OEM suppliers primarily to (i) facilitate the production of some of our new products in their initial testing stages, or the production of some of our products produced in smaller volume, that we prefer not to mass-produce in-house; and (ii) ease the short-term pressure on our production facilities when our actual demand temporarily exceeds our production capacities in peak seasons. We carefully take into account factors such as price, quality, production capacity, financial conditions, delivery scheme, business scale and reputations of OEM suppliers. We carefully manage and monitor the performance of our OEM suppliers, and require our OEM suppliers to comply with our internal guidelines and policies. In the event of any failure by our OEM suppliers to meet our internal guidelines and policies, we may cease to work with them. We maintain long-term relationships with our OEM suppliers. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, the procurement amounts from our OEM suppliers accounted for 9.2%, 11.8%, 10.4%, 9.9% and 11.1%, of the cost of sales of goods for the periods indicated, respectively.

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

	Years ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	ton				
Attributed to our internal production	195,898	211,829	244,897	117,959	103,500
Attributed to OEM production	14,007	20,856	17,932	8,998	7,475
Total	209,905	232,685	262,829	126,957	110,975

The salient terms of the agreements with our representative OEM suppliers are set forth as below:

- *Term*: One year in general.

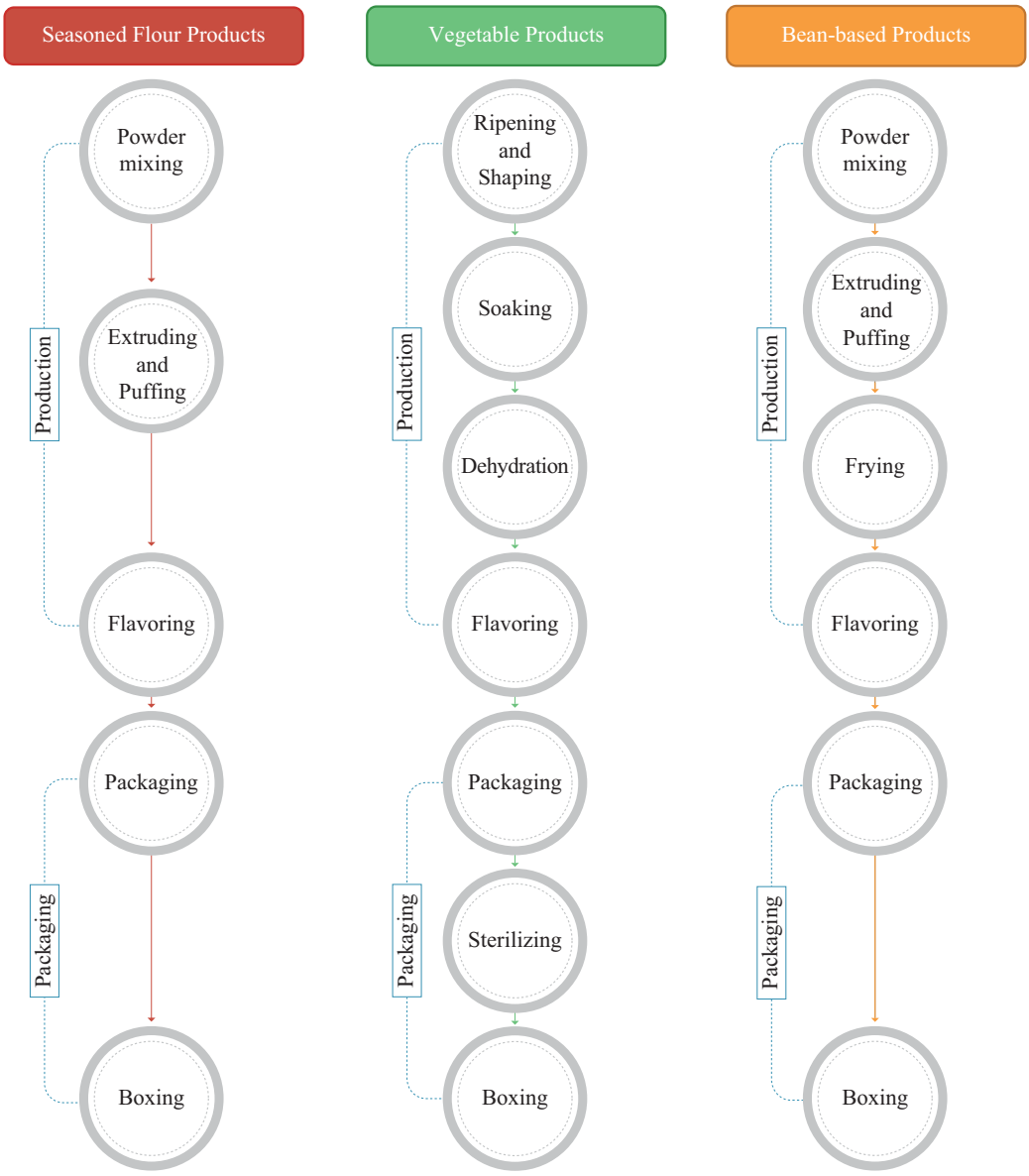
- *Principal rights and obligations of parties involved*: We specify the product type, unit price, quantity, delivery timeline and other detailed items in each purchase order we send to our OEM suppliers from time to time. The OEM suppliers are obligated to produce the products we demand.

- *Minimum purchase*: The contract may specify the minimum purchase.
- *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 domicile.
- *Further subcontracting*: Further subcontracting is not allowed without our consent.
- *Product returns*: We may return products to OEM suppliers under scenarios such as product quality issues or late delivery.
- *Termination*: We have the right to notify the OEM suppliers and terminate the contract in instances such as their late delivery, non-conforming delivery, unqualified products, complaints or investigations, and disclosure of confidential information.

Our Production Process

Our standard production process includes food production and packaging processes. For the production process of seasoned flour products, it typically includes powder mixing, extruding and puffing and flavoring. For the packaging process, it includes wrapping and boxing. For the production process of vegetable products, it typically includes ripening and shaping, soaking, dehydration, flavoring, packaging, sterilizing and boxing.

The diagram below illustrates the key steps of our production process:



The details of the key steps in the production processes of seasoned flour products are as follows:

- *Powder mixing*: Use wheat flour as the main ingredient, and add water, edible salt and various auxiliary materials for powder mixing.
- *Extruding and puffing*: Extrude and puff the above mixed powder into dough.
- *Flavoring*: Evenly mix the dough with the seasoning and seasoning oil.
- *Packaging*: Put the seasoned semi-finished products on a quantitative basis into packaging bags and seal them.

- *Boxing*: Put the packaged products into cardboard boxes and seal them.

The details of the key steps in the production processes of vegetable products are as follows:

- *Ripening and shaping*: Use konjac as the main ingredient, add water to puff it and add dietary alkali for ripening and shaping.
- *Soaking*: Conduct acid-base neutralization for the shaped semi-finished products.
- *Dehydration*: Dehydrate the semi-finished products.
- *Flavoring*: Evenly mix the dehydrated semi-finished products with the seasoning and seasoning oil.
- *Packaging*: Put the seasoned semi-finished products by package quantity into packaging bags and seal them.
- *Sterilizing*: Sterilize the packaged products using pasteurization.
- *Boxing*: Put the sterilized products into cardboard boxes and seal them.

The details of the key steps in the production processes of bean-based products are as follows:

- *Powder mixing*: Use soybean meal as the main ingredient, and add water, edible salt and various auxiliary materials for powder mixing.
- *Extruding and puffing*: Extrude and puff the above mixed powder into bean dough.
- *Frying*: Fry and dehydrate the bean dough.
- *Flavoring*: Evenly mix the dehydrated bean dough with the seasoning and seasoning oil.
- *Packaging*: Put the seasoned semi-finished products by package quantity into packaging bags and seal them.
- *Boxing*: Put the packaged products into cardboard boxes and seal them.

Our Production Facilities

As of June 30, 2022, we had four plants in Henan, namely Luohe Pingping Plant, Luohe Weilai Plant, Zhumadian Weilai Plant and Luohe Weidao Plant and one plant under construction in Henan, namely Luohe Xinglin Plant, at which part of the production lines had been utilized for test production.

The table below sets out the details of our production lines for the periods indicated:

	Year ended December 31,									Six months ended June 30,		
	2019			2020			2021			2022		
	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate
Product Segment	(ton)			(ton)			(ton)			(ton)		
Seasoned flour products	190,407.3	166,579.5	87.5%	235,972.0	168,855.3	71.6%	261,308.3	179,653.9	68.8%	107,773.3	75,497.1	70.1%
Vegetable products	24,756.2	21,760.4	87.9%	45,936.0	39,331.6	85.6%	79,992.0	60,599.3	75.8%	38,214.0	26,809.9	70.2%
Bean-based and other products	11,101.7	7,558.5	68.1%	4,860.6	3,642.6	74.9%	5,310.0	4,643.9	87.5%	1,545.8	1,192.5	77.1%
Total	**226,265.2**	**195,898.4**	**86.6%**	**286,768.6**	**211,829.5**	**73.9%**	**346,610.3**	**244,897.1**	**70.7%**	**147,533.1**	**103,499.5**	**70.2%**

(1) The designed production capacity of the year or period is calculated based on the following assumptions: (i) All product lines are functioning in its full capacity; (ii) our production facilities operate 20 hours per day for most of our products, and 8 hours per day prior to 2021 and 16 hours per day in and after 2021 for very few products within the bean-based and other products category, and (iii) we operate 264 working days per year. According to Frost & Sullivan, our capacity calculation method, including the assumptions used therein, is generally in line with the standard of the relevant industry in China. The annualized design production capacity during the six months ended June 30, 2022 is calculated by the designed capacity times two.

(2) The actual production during the year or period is the total volume of the products manufactured during that year or period. The annualized production during the six months ended June 30, 2022 is calculated by the actual designed capacity times two.

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

(4) Our designed production capacity for seasoned flour products increased from 190,407.3 tons in 2019 to 235,972.0 tons in 2020 and further increased to 261,308.3 tons in 2021 primarily due to more production lines started operation in the Luohe Weidao Plant in 2020. Our designed production capacity for seasoned flour products decreased in the six months ended June 30, 2022 primarily due to our key production equipment upgrade. The utilization rate for our seasoned flour products decreased in 2020 in comparison with 2019, mainly resulted from an increase in production capacity and the suspension of production during the first two months of 2020 due to the impact of COVID-19 outbreak, and further decreased slightly in 2021 compared with 2020 mainly due to the increase of designed production capacity.

(5) Our designed production capacity for vegetable products was on an ascending trend from 2019 to 2021 as we purchased additional production facilities used for the production of vegetable products, based on market demand, during the same period and the annualized designed production capacity in the six months ended June 30, 2022 slightly decreased primarily in relation to our key production equipment upgrade. The utilization rate for our vegetable products decreased in 2019, 2020 and 2021 as the result of the increase in actual production being outpaced by the increase in designed production capacity. The annualized actual production of our vegetable products decreased in the six months ended June 30, 2022 primarily due to the impact of the COVID-19 Resurgence, which led to the decrease of the utilization rate for the same period.

(6) Our designed production capacity for bean-based and other products declined from 2019 to 2020 due to (i) our cease of certain bean-based and other products due to their weak performance, and (ii) our cooperation with certain OEM suppliers in respect of bean-based and other products to improve our overall production efficiency, which was partially offset by the increase of our designed production capacity, and increased from 2020 to 2021 due to the change of our production facilities for egg-based products from operating 8 hours per day to 16 hours per day. The production volume attributable to OEM suppliers amounted to 3,818.1 tons, and 6,410.8 tons respectively, in 2019 and 2020, partially offsetting the decrease in our production capacity from 11,101.7 tons in 2019 to 4,860.6 tons in 2020. For our bean-based and other products, our utilization rate increased in 2020 in comparison with 2019, resulted from a significant decrease in the number of production lines, increased in 2021 primarily due to the rise in production of egg-based products for pilot sales

projects, and decreased in the six months ended June 30, 2022 primarily due to our cooperation with OEM suppliers for certain bean-based products to improve our overall production efficiency.

	Year ended December 31,									Six months ended June 30,		
	2019			2020			2021			2022		
Production Plants	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate
	(ton)			(ton)			(ton)			(ton)		
Luohe Pingping Plant	117,437.3	97,198.2	82.8%	123,619.5	97,032.6	78.5%	113,484.5	86,365.5	76.1%	52,696.9	34,292.0	65.1%
Luohe Weilai Plant	38,003.2	32,412.1	85.3%	60,358.8	39,029.5	64.7%	64,034.7	38,280.9	59.8%	28,278.6	18,382.6	65.0%
Zhumadian Weilai Plant	70,120.7	65,761.2	93.8%	71,253.9	55,391.1	77.7%	70,848.6	55,386.5	78.2%	18,354.1	14,557.8	79.3%
Luohe Weidao Plant	704.0	526.9	74.8%	31,536.4	20,376.3	64.6%	98,242.5	64,864.2	66.0%	48,203.5	34,202.7	71.0%
Luohe Xinglin Plant	—	—	—	—	—	—	—	—	—	N/A	2,064.4	N/A
Total	**226,265.2**	**195,898.4**	**86.6%**	**286,768.6**	**211,829.5**	**73.9%**	**346,610.3**	**244,897.1**	**70.7%**	**147,533.1**	**103,499.5**	**70.2%**

(1) The utilization rate of our four plants generally decreased in 2020 in comparison with 2019, primarily as a result of the suspension of our production in early 2020 due to the outbreak of COVID-19. See "Financial Information – Impacts of the COVID-19 Outbreak." In addition, the utilization rate at Luohe Weilai Plant and Luohe Weidao Plant decreased in 2020 compared to 2019 as a result of fast expansion in designed capacity.

(2) The designed capacity of Luohe Pingping Plant and Zhumadian Weilai Plant decreased slightly in 2021, primarily due to (i) the shift of some production facilities to Luohe Weidao Plant, (ii) pause of production lines for equipment upgrade, and (iii) cease of production of certain products.

(3) The annualized designed capacity of our Luohe Pingping Plant, Luohe Weilai Plant, Zhumadian Weilai Plant and Luohe Weidao Plant decreased in the first half in 2022 compared to in the first half in 2021 primarily due to our key production equipment upgrade in 2022.

(4) We have initiated small-scale production testing at our Luohe Xinglin Plant, which is under construction with part of the production lines under planning. Thus, designed capacity and utilization rate are not applicable for Luohe Xinglin Plant.

We develop and upgrade our automated production lines in collaboration with equipment manufacturers. We have a team dedicated to the research of automated equipment. As of June 30, 2022, the team had 12 key members. We have five major categories of equipment and machinery, including powder mixing equipment, ripening equipment, flavoring equipment, antimicrobial equipment and packaging equipment, all of which have improved our production efficiency. For example, our auto-loading, auto-flavoring and auto-packaging equipments have reduced manual work and labor cost.

We regularly inspect and maintain the production equipment and replace worn parts and components. Our major production equipment and machinery have an estimated average useful life of ten years. We use straight-line depreciation to make provision and depreciation, with an annual rate of depreciation of 9.5% during the Track Record Period. The remaining useful life of such equipment and machinery is, on average, approximately six years.

Our Production Expansion Plan

The market size for spicy snack food is large and fast growing. According to Frost & Sullivan Report, the market size for spicy snack food in China is expected to reach approximately RMB273.7 billion in 2026 at a CAGR of 9.6% from 2021 to 2026. Specifically, seasoned flour and spicy vegetable products are expected to continue to see high demand from the market. According to Frost & Sullivan Report, in 2026, the sales volume of seasoned flour products and spicy vegetable snacks is estimated to reach 2,066 thousand tons at a CAGR of 6.8% from 2021 to 2026 and 1,557 thousand tons at a CAGR of 15.0% from 2021 to 2026, respectively. We plan to seize the market potentials by continuing to enhance the core competency of our products, devote to brand building and enhance consumer engagement, increase the breadth and depth of our distribution network, and improve our operating efficiencies.

Assuming continuous production at our current four production plants with an 80% utilization rate, the market demands for our seasoned flour products, vegetable products, and certain of our bean-based and other products will exceed our production capacity in 2022. We plan to increase the production capacity for seasoned flour products by 90,000 tons and for vegetable products by 72,000 tons by 2025. Meanwhile, we plan to increase the production capacity for bean-based and other products by 14,745 tons by 2025 mainly to fulfill the market demand of new spicy snack products. We are dedicated to launching new spicy snack products such as spicy meat-based, potato-based, and egg-based products to cater to the evolving needs of customers.

During the Track Record Period, we built new production facilities and expanded our production lines depending on our expansion strategy and forecast market demand. We plan to expand our production facilities by taking into consideration the future corporate development strategy and market demand estimation.

The table below sets out the details of our planned key production facilities:

Production facility	Product categories	Designed annual production capacity (ton)	Estimated date of completion	Estimated investment (HKD in millions)	Status as of the Latest Practicable Date
Luohe Xinglin Plant	vegetable products, bean-based and other products	57,945	2023	450	The plant is under construction, part of the production lines are already put into operation and part of the production lines are under planning, subject to purchase, installation and commissioning
Yunnan Qujing Plant	seasoned flour products, vegetable products	59,400	2025	360	had obtained the land ownership certificate

In addition, we are currently planning the development of an additional plant in Eastern China, which is scheduled to start construction in 2025, and become fully operational by 2028. This plant is expected to increase our production capacity for various products by 59,400 tons each year. See "Future Plans and Use of Proceeds – Use of Proceeds."

The following table sets out certain information of our plants:

	Location	Title Status
Luohe Pingping Plant	Luohe, Henan Province	leased, self-owned[(i)]
Luohe Weilai Plant	Luohe, Henan Province	leased, self-owned[(ii)]
Zhumadian Weilai Plant	Zhumadian, Henan Province	leased
Luohe Weidao Plant	Luohe, Henan Province	self-owned
Luohe Xinglin Plant	Luohe, Henan Province	self-owned
Yunnan Qujing Plant	Qujing, Yunnan Province	self-owned

(i) The buildings in our Luohe Pingping Plant are partially leased and partially owned by us.

(ii) The buildings for production in our Luohe Weilai Plant are self-owned, and the buildings for warehousing in our Luohe Weilai Plant are leased.

With respect to plants that were built on leased properties, they are free from material title defects. See "– Properties – Leased Properties" for more information.

RAW MATERIALS, PACKAGING MATERIALS AND SUPPLIERS

We aim to provide safe and delicious products to our consumers by selecting high-quality raw materials. We cooperate with large-scale raw material providers and directly purchase raw materials from their key production region to ensure high-quality and stable supply of raw materials.

We produce our products from a wide variety of ingredients. The primary raw materials that we use in the production of our products are soybean oil, flour and konjac, among others. Seasoning and other auxiliary

materials such as Sichuan pepper are also used in our production process. We also purchase and use large quantities of packaging materials, including cardboard boxes and packaging bags.

We had a procurement team consisting 44 personnel as of June 30, 2022. Our procurement team is responsible for purchasing raw materials, packaging materials, equipment and accessories, office supplies, labor protection products and other supplies that are necessary to the Group's production, designing appropriate procurement strategies and ensuring quality and cost-effective purchases. Meanwhile, the procurement team is also responsible for purchasing bulk raw materials and strategic stockpile that are necessary to our production, planning and purchasing fundamental raw materials based on its analysis of the market.

Most of our primary raw materials, such as flour and soybean oil, are commodities. For commodities that we use across many of our product categories, such as flour and soybean oil, we coordinate sourcing requirements and centralize procurement to leverage our scale. Their prices generally fluctuate with market conditions. The prices of our other primary raw materials and packaging materials fluctuate as a result of various factors, including supply and demand, our bargaining power with our suppliers and logistics. On a case-by-case basis, we seek to establish preferred purchaser status and have developed long-term partnerships with some of our suppliers to achieve favorable pricing and dependable supply for certain commodities. Although the prices of raw materials and packaging materials may fluctuate in the future, there will be an adequate supply of raw materials and packaging materials generally available from numerous sources.

During the Track Record Period and up to the Latest Practicable Date, we closely monitored raw material prices, while not engaging in any hedging activities in connection with commodity prices but sought to mitigate the negative impact associated with the price fluctuations of raw materials by making purchases when prices are relatively low. We have also adopted the following measures to ensure we always have access to adequate supply and reasonable prices of our raw materials and packaging materials: (i) preparing market trend reports to regularly monitor market prices, and establishing a market database to analyze raw material costs, (ii) cooperating with strategic and alternative suppliers, (iii) conducting analysis of upstream suppliers along the supply chain to anticipate potential changes in prices, (iv) negotiating and determining purchase prices with our suppliers through long-term relationships, and (v) identifying alternative suppliers who offer competitive prices. We believe that these cost control measures enable us to better cope with the fluctuation of prices of our raw materials and packaging materials, strengthen our bargaining power and allow us to secure favorable prices with suppliers.

Our Raw Materials

Our raw materials include, among others, soybean oil, flour and konjac. We typically enter into procurement agreements with our raw material suppliers, and place orders based on market conditions. See "– Raw Materials, Packaging Materials and Suppliers – Our Suppliers." All raw materials supplied by the suppliers are required to meet our quality standards and the standards set by competent government authorities, such as the Chinese national standards for flour (NY/T 1039-2014), soybean oil (GB/T 1535-2017), and kelp (GB 20554-2006). See "– Food Safety and Quality Control – Raw Material Quality Control."

We procure most of the seasoning materials from key producing regions, such as chili from Henan and Yunnan to maintain and stabilize the quality and flavor of our products.

We also use water in the course of production. We obtain water from the city tap water. We did not experience any water shortage or problems with water quality during the Track Record Period and had not received any complaints or been subject to any penalties in connection with water quality during the Track Record Period and up to the Latest Practicable Date.

Our Packaging Materials

Our packaging materials include, among others, cardboard boxes, packaging bags and thin packaging films. Substantially all packaging bags and labels for our products are produced by our packaging material suppliers. We generally enter into procurement agreements for packaging materials with a typical term of three months to one year. These agreements contain price terms and approximate expected purchase volume, while the actual purchase volume is determined by the purchase orders that we send to our suppliers. Packaging materials provided by our suppliers are required to meet the food safety standards set by competent government authorities in China. If the prices of packaging materials fluctuate significantly, we will invite suppliers to make new bids in a timely manner, in order to control costs.

Our Suppliers

We typically work with large and reputable domestic suppliers, such as Sinograin Oils Corporation (中儲糧油脂有限公司) and COFCO International (Beijing) Co., Ltd (中糧國際(北京)有限公司), with whom we have maintained long-term relationships to secure the key raw materials and packaging materials used in our production process. See "– Food Safety and Quality Control – Raw Material Quality Control."

Our suppliers include raw material suppliers, packaging material suppliers and OEM suppliers. Our OEM suppliers provide OEM service for our products so that we can expand customer choices. See "– Our Production – Our Production Process."

Below are the tables specifying the breakdown of our top five suppliers during the Track Record Period, with background information including principal business, and length of relationship with us:

2019

Supplier	Product/service offered	Length of Relations	Payment Clause	Purchase Amount (RMB'000)	% of Purchase Amount
Supplier A	Supply of bean oil	Since 2015	Settlement method is cash before delivery; payments and deliveries are made in installments; and the supplier shall issue bills of lading corresponding to the amount of cash payments made by the buyer.	110,116	5.7
Supplier D	Supply of oil and flour	2018-2020	When the cumulative transaction amount reaches 200 tons, the buyer shall make payments for the 200 tons of goods within the period specified by contract.	108,651	5.6
Supplier B	Supply of packaging materials	Since 2014	At a predetermined date each month, the supplier shall provide the buyer with billing statements from the previous month containing the transaction amount, price terms, order numbers and other information, along with receipts and proof of transaction, for the buyer to verify and make payments for last month's transactions within 15 business days.	88,675	4.6
Supplier E	Supply of bean oil	Since 2015	The buyer shall pay a deposit to the supplier equal to 20% of the contractual price on the day after the contract is signed. Goods are delivered upon cash payment, and the initial deposit can be used to offset the payment for the final delivery.	82,068	4.2
Supplier F	Supply of flour	Since 2017	When the cumulative transaction amount reaches 500 tons, the buyer shall make payments for the 500 tons of goods within the period specified by contract.	79,485	4.1

Note: We have switched to supplier D's affiliated entity for procurement of oil and flour after 2020 due to supplier D's internal corporate structural change.

2020

Supplier	Product/service offered	Length of Relations	Payment Clause	Purchase Amount (RMB'000)	% of Purchase Amount
Supplier B	Supply of packaging materials	Since 2014	At a predetermined date each month, the supplier shall provide the buyer with billing statements from the previous month containing the transaction amount, price terms, order numbers and other relevant information, along with receipts and proof of transaction, for the buyer to verify and make payments for last month's transactions within 15 business days.	145,986	6.2
Supplier A	Supply of bean oil	Since 2015	Settlement method is cash before delivery; payments and deliveries are made in installments; and the supplier shall issue bills of lading corresponding to the amount of cash payments made by the buyer.	140,405	6.0
Supplier E	Supply of bean oil	Since 2015	The buyer shall pay a deposit to the supplier equal to 20% of the contractual price on the day after the contract is signed. Goods are delivered upon cash payment, and the initial deposit can be used to offset the payment for the final delivery.	102,070	4.4
Supplier G	OEM	Since 2018	Account review will be conducted once a month on the 1st of next month unless the monthly cumulative transaction volume reaches 100 thousand pieces (all SKU included), where account review will be conducted twice a month; transactions from the 1st to the 15th of each month will be reviewed on the 16th of each month and transactions from 16th to 30th/31st will be reviewed on the 1st of next month. Payment will be made within 10 days upon receipt of the billing statement.	85,855	3.7
Supplier D	Supply of oil and flour	2018-2020	When the cumulative transaction amount reaches 200 tons, the buyer shall make payments for the 200 tons of goods within the period specified by contract.	83,844	3.6

Note: We have switched to supplier D's affiliated entity for procurement of oil and flour after 2020 due to supplier D's internal corporate structural change.

2021

Supplier	Product/service offered	Length of Relations	Payment Clause	Purchase Amount (RMB'000)	% of Purchase Amount
Supplier E	Supply of oil and flour	Since 2015	For our oil products, the buyer shall pay a deposit to the supplier equal to 5%-20% of the contractual price on the day after the contract is signed. Goods are delivered upon cash payment, and the initial deposit can be used to offset the payment for the final delivery. For our flour products, conditional on successful check and acceptance, payment will be made within 10 days upon receipt of the billing statement.	198,141	7.2
Supplier B	Supply of packaging materials	Since 2014	At a predetermined date each month, the supplier shall provide the buyer with billing statements from the previous month containing the transaction amount, price terms, order numbers and other relevant information, along with receipts and proof of transaction, for the buyer to verify and make payments for last month's transactions within 15 business days.	186,499	6.8
Supplier H	Supply of flour	Since 2017	Conditional on receipt and satisfactory warehousing, full payment will be made upon receipt of the billing statement.	118,736	4.3
Supplier A	Supply of oil	Since 2015	Settlement method is cash before delivery; payments and deliveries are made in installments; and the supplier shall issue bills of lading corresponding to the amount of cash payments made by the buyer.	108,733	3.9
Supplier I	Supply of flour	Since 2015	Conditional on successful check and acceptance, payment will be made within seven business days upon receipt of the billing statement.	84,613	3.1

The six months ended June 30, 2022

Supplier	Product/service offered	Length of Relations	Payment Clause	Purchase Amount (RMB'000)	% of Purchase Amount
Supplier E	Supply of oil and flour	Since 2015	For our oil products, the buyer shall pay a deposit to the supplier equal to 5%-20% of the contractual price on the day after the contract is signed. Goods are delivered upon cash payment, and the initial deposit can be used to offset the payment for the final delivery. For our flour products, conditional on successful check and acceptance, payment will be made within 10 days upon receipt of the billing statement.	97,227	8.4
Supplier A	Supply of oil	Since 2015	Settlement method is cash before delivery; payments and deliveries are made in installments; and the supplier shall issue bills of lading corresponding to the amount of cash payments made by the buyer.	74,610	6.5
Supplier B	Supply of packaging materials	Since 2014	At a predetermined date each month, the supplier shall provide the buyer with billing statements from the previous month containing the transaction amount, price terms, order numbers and other relevant information, along with receipts and proof of transaction, for the buyer to verify and make payments for last month's transactions within 15 business days.	74,508	6.5
Supplier L	Supply of oil	Since 2021	Payment method is payment before delivery for each batch of goods supplied. The supplier will issue delivery order upon receipt of cash payment.	55,520	4.8
Supplier K	Supply of oil	Since 2018	Payment method is payment before delivery for each batch of goods supplied. The supplier will issue delivery order upon receipt of cash payment.	39,665	3.4

Purchases from our five largest suppliers in each of 2019, 2020, 2021 and the six months ended June 30, 2022, accounted for 24.2%, 23.9%, 25.3% and 29.6%, of our total purchases in relation to production in relevant periods, respectively.

We generally enter into procurement agreements with suppliers on an annual basis. The salient terms of standard procurement agreements are set out as below:

- *Duration.* The duration of procurement agreements is typically three months to one year.
- *Penalty.* We set penalty terms for breach of procurement agreements, such as quality issues with the products, or non-performance by the suppliers.
- *Price adjustment.* We will renegotiate prices according to the contractual stipulation if the market price of the raw materials of the products fluctuates significantly.
- *Logistics.* Except for a few suppliers that we are responsible for pick-up, the majority of suppliers are typically responsible for delivering their products to our designated warehouses, and they shall bear the delivery charges.
- *Quality control.* We are entitled to conduct on-site inspection of suppliers' plants and we may request rectification of any quality issues. If raw materials or products provided by suppliers fail to meet national or our standards or our policies, we are entitled to terminate the agreements and make claims for liabilities for breach of contract according to the contract.
- *Payment.* We typically settle fees to suppliers on a monthly basis, which are calculated based on the unit price and the actual supply volume of the last month. For certain special materials, we make payment in advance of the delivery by batch based on the current situation of the industry.
- *Anti-commercial bribery and confidentiality.* Our suppliers are prohibited from bribery or leakage of our commercial secrets to any third parties.
- *Termination.* We are entitled to terminate the procurement agreements if our suppliers breach the procurement agreements.

OUR LOGISTICS

During the Track Record Period and as of the Latest Practicable Date, the majority of our product transportation was provided by independent third-party logistics service providers. As of the Latest Practicable Date, we had eight logistics service providers. We typically enter into service agreements with logistics service providers with competent qualification, service ability and competitive price. We typically require a term of two months after we enter into service agreements with our logistics service providers for verification of their performance capability, during which period we monitor and review their performance and are entitled to terminate such agreements if they do not comply with service agreements and claim compensation as required by such agreements.

We monitor the logistics quality by vehicle inspection, routine tracing, return visiting and retrospective discussion. We assess our logistics service providers based on frequency of timely delivery, transportation capability, overall service quality and other dimensions. Pursuant to our current service agreements, we are entitled to terminate the agreements if the logistics service providers fail to satisfy our service standards and requirements.

Some of our third-party logistics service providers were affected during the COVID-19 outbreak at the beginning of 2020 and 2022, and by the end of April 2020 and May 2022, all of our third-party logistics suppliers had resumed work. See "Financial Information – Impacts of the COVID-19 Outbreak."

OUR INVENTORY MANAGEMENT

As food preservation is time-sensitive, effective inventory management is vital to our ongoing success. We implement stringent inventory control management measures in order to ensure the high quality of our products with authentic tastes and to reduce the risks associated with deterioration of raw materials and finished products.

Our inventories primarily consist of raw materials, packaging materials and finished products. All of our warehouses maintain well-ventilated and dry storage conditions with controlled temperature and humidity to avoid the risk of deterioration of our inventories. We implement a first-in-first-out policy to manage the shelf life of our raw materials and finished products.

Our raw materials and packaging materials procurement is based on anticipated needs for finished products provided by our marketing team on a rolling basis. We set various safety inventory levels for products based on their various features and generate alerts when inventory turnover reaches the threshold. We also set out detailed rules and guidelines for storage conditions, including humidity, temperature, light condition and maximum turnover time for different types of raw materials, packaging materials and finished products, respectively, and we destroy returned or unsalable products upon receipt. Our inventory turnover is maintained at a reasonable level as a result of such precise management of inventory.

Our inventories are generally stored in our central warehouse in Henan, and we generally maintain an inventory level for three to five days of finished goods. We adjust the production plan through weekly communication between production and supply chain departments and incorporate updates from our distributors.

FOOD SAFETY AND QUALITY CONTROL

Food safety and quality is our top priority. Our food safety and quality assurance system covers the entire production process of our products, including steps from procurement, production, storage, distribution to sales.

Our ingredients primarily include wheat flour, konjac, kelp, water, and soybean oil. We also use food additives such as flavor enhancers including MSG and antioxidants including TBHQ. Our use of food additives is in strict compliance with applicable laws and regulations. Consumption of snack food with this level of food additives generally does not impose health risks for consumers.

Our nutrients primarily include carbohydrate, protein, fat, and dietary fibers. The main source of fat in our products is soybean oil. The fat content of our main products ranges from less than 2% (*Fengchi Kelp*) to approximately 50% (*Soft Tofu Skin*), with the fat content of the majority of our main products under 25%. According to the Frost & Sullivan Report, saturated fat exists naturally in many foods and ingredients. Soybean oil generally has lower share of saturated fat comparing to animal sources or tropical plant-based oils. The saturated fat content in our products ranges from approximately 0.3% to 7.5%, with the saturated fat content in most of our products under 3.8%. Common health issues associated with excessive consumption of snack food with fat include obesity.

Underpinned by our dedication to delivering quality products to consumers, we are devoted to food and nutrition research in our continuous upgrade of existing products and launch of new products. For example, we offer *Kiss Burn* with 3.3g dietary fiber in every 100g of our products, which is also free of trans-fatty acids or cholesterol. Also, we offer *Fengchi Kelp* as a low-fat snack option with 2.6g fat contained in every 100g of our products. In addition, we launched an overall upgrade of our major products, among which we applied new packages, production techniques, ingredients and specification.

The food safety and quality assurance system covers the production, processing and sales of our products. The raw materials and products are tracked in order to meet customers' requirements and the corresponding legal and regulatory requirements. Leveraging on the HACCP Judgment Tree, we identified and controlled the food safety hazards associated with the products.

We set up control points for food safety and quality in every segment throughout the production process and carefully track and inspect our formulas, raw materials, food additives, and production processes. Our quality management center is responsible for food safety management, raw and packaging materials management, production process management and customer service management, as well as the establishment of food safety and quality assurance systems. We have been accredited with food safety management system certifications. Currently, Luohe Pingping, Luohe Weilai and Zhumadian Weilai have been accredited with FSSC 22000 and HACCP certifications.

Our operations are in compliance with applicable laws and regulations, and national and industrial standards in relation to food production and sales, including, but not limited to ISO22000:2018, ISO/TS22002-1, GB/T 27341-2009, Hazard Analysis and Critical Control Points (HACCP System) Certification Supplementary Requirements 1.0, and General Hygiene Practice for Food Production (GB 14881).

As of the Latest Practicable Date, we had established a quality control team responsible for formulating, managing and supervising our quality control system. It directly reports to the supervising senior management and is responsible for, among other things:

- establishing and enforcing quality standards and building teams responsible for quality assurance. For our major products, we have formulated enterprise standards more stringent than applicable national standards and have filed with local authorities;

- establishing product safety and quality assurance policies and management systems at headquarter and distributor levels and ensuring the effective implementation of such systems. Specifically, we

established the product labeling and traceability system to ensure that the production and distribution of all of our products can be tracked;

- following laws, regulations and policies relating to product quality and food safety and enhancing internal compliance controls;

- analyzing, evaluating, preventing and managing potential product safety risks. For example, we conduct hazard material analysis and control measures formulation by monitoring critical control points and critical limits of the manufacturing process, and carrying out corresponding verification procedures and corrective actions; and

- monitoring the implementation of distributor-level quality control measures at retail points of sale.

The quality control personnel are required to strictly comply with our product safety and quality control policies and procedures, such as conducting daily quality monitoring, maintaining quality management records and reporting to the headquarter on a timely basis.

Formula Quality Control

Product formulation is key to quality control. As of the Latest Practicable Date, we had a team consisting of 192 personnel, who are responsible for the research of the property and processing method of our fundamental ingredients. With this team, we are able to develop safer and more scientific formulas to control our products' quality.

Raw Material Quality Control

We have implemented and maintained stringent policies and procedures for selecting suppliers to secure the quality of our raw materials. We typically work with reputable suppliers. We comprehensively consider several factors in selecting and evaluating suppliers, including but not limited to operating environment and conditions, supply chain capabilities, product quality and production scale, and the relevant certifications of food safety systems by suppliers. Raw materials provided by our suppliers are required to meet national standards and our procurement standards. If the raw materials provided by suppliers fail to meet such standards as set out in the procurement agreements, we are entitled to terminate the procurement agreements and claim for damages. Furthermore, we have implemented a series of quality management measures for our raw materials, primarily including the following:

- Our raw materials and materials management personnel are required to conduct on-site inspections of suppliers' facilities and generate inspection reports, and conduct assessments and ratings on suppliers by reference to our Company's internal regulations.

- Our raw materials and materials acceptance personnel are required to inspect raw materials delivered to our warehouses upon receipt and evaluate whether the raw materials are in compliance with national laws, regulations and standards, and whether the raw materials meet the acceptance standards stipulated in the procurement agreements.

Production Process Quality Control

To ensure the quality of our products, we strictly adhere to our production procedures, pay close attention to and abide by the implementation and effect of laws, regulations and standards of the industry and corporate procedure documents, forming closed-loop management in system and regulation, training, training effect verification, on-site execution, inspection and improvement.

We set up multiple check points in every segment throughout the production process and the quality team monitors the production process in accordance with our internal quality guidance. For example, we conduct both regular and random hygiene inspections of our production facilities on a monthly basis. We select and closely monitor the control points in the production process which are critical for the quality of our finished products, including temperature, pressure and timing. We perform sample testing at each control point to identify quality issues. When a non-conforming product is found, we check all products in the same batch and work-in-progress to ensure that there are no other non-conforming products with quality issues. Any non-conforming product will be disposed immediately, and the incident shall be recorded for further cause analysis and improvement of quality control measures.

In addition to closely monitoring the production process, we believe that our employees are also an important factor in ensuring the integrity of the production process.

We require employees to maintain proper personal hygiene, conduct health check-ups before commencing employment, sanitize before entering facilities and enforce dress code at work for all employees during daily operation. In addition, we also provide regular training to our employees on various topics such as quality control and food safety to increase their awareness and professional knowledge.

Product Returns and Product Recalls

Distributors generally cannot return our products after receipt. Under the distribution agreements, returns and exchanges are only available for products that are defective or damaged. Under such circumstances, we will be responsible for the costs incurred by returned or exchanged products. The Company shall not bear the related expenses for returned normal products or other abnormal products which are not caused by the Company. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, the value of products returned in our offline channels and online distribution channels in terms of revenue amounted to RMB6.1 million, RMB4.9 million, RMB3.8 million, RMB0.9 million and RMB1.2 million, respectively, representing approximately 0.18%, 0.12%, 0.08%, 0.04% and 0.05%, respectively, of our total revenue for the same periods. According to Frost & Sullivan, the average product return level, including both online and offline channels, in the PRC snack food industry is generally approximately 0.5% to 1% dependent on factors such as product category and business model. Our product return level was lower than the industry level during the Track Record Period.

We have a dedicated team of customer service personnel and maintain a customer service system to ensure a timely response to all customer concerns, which we believe helps us reinforce our high-quality control standards to consumers and instills confidence in our products. Our customer service team keeps records of all inquiries, feedback and complaints, and the results of any investigation or resolution measures.

We have formulated product recall procedures. During the Track Record Period and up to the Latest Practicable Date, (i) we were not subject to any material administrative or other penalties from the Chinese government authorities in connection with product quality or food safety, (ii) we were not ordered to undertake any mandatory product recalls as required by any government authorities, which could have a material adverse effect on our business, financial condition and results of operations, (iii) we did not experience any incidents related to material product liability exposure, and (iv) we did not receive any material complaints from consumers in connection with product quality. During the Track Record Period, we did not conduct product recalls.

COMPETITION

According to Frost & Sullivan, the snack food industry in China, as well as the spicy snack food industry in China, are fragmented. In terms of retail sales value in 2021, the five largest brands in the snack food industry in China represented 9.4% of total market share, and the five largest brands in the spicy snack food industry in China represented 11.5% of total market share. We believe our brand power, product development ability, distributor network management ability and production and quality control ability enable us to compete effectively against our competitors. See "Industry Overview."

We believe that we are well-positioned to excel in the competition within our industry. However, some of our current and potential competitors may have greater resources of capital, technology, brand, sales channel, product development and marketing than we do, and may be able to develop products and services that are more popular than ours. See "Risk Factors – Risks Relating to Our Business and Industry." We operate in a highly competitive industry. Failure to compete effectively could adversely affect our market share, growth and profitability.

OUR EMPLOYEES

As of June 30, 2022, all of our employees were based in China. The table below sets forth the number of our employees by function as of June 30, 2022:

	Number of Employees	Percentage
Research and development and quality control	294	4.8%
Production and supply	4,321	70.2%
Sales and marketing	967	15.7%
Finance, HR, administration and others	571	9.3%
Total	**6,153**	**100.0%**

We are committed to establishing a competitive and fair remuneration and benefits system. In order to effectively motivate our employees through remuneration incentives and ensure that our employees receive market-competitive remuneration packages, we continually refine our remuneration and incentive policies through market research and comparison with our competitors. We adopt a KPI evaluation scheme and conduct performance evaluation for our employees on a KPI basis to provide feedback on their performance and assess their strengths. Compensation for our employees typically consists of basic salary, post allowance and performance-based bonus.

We provide our employees with a basic pension scheme, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing providence funds in accordance with relevant Chinese laws and regulations. We pay great attention to our employees' welfare, and continually improve our welfare system. We offer employees additional benefits such as business insurance, and health examinations, among other things. We provide regular and specialized training tailored to the needs of our employees in different departments. We provide training to management and service personnel at all levels.

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.

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business and we devote significant time and resources to their development and protection. We currently hold a collection of intellectual property rights relating to certain aspects of our business operation. Such intellectual property consists primarily of trademarks, patents and copyrights. As of the Latest Practicable Date, we had registered 924 trademarks, 170 patents, 108 work copyrights and 14 software copyrights in China. In addition, we hold a perpetual and royalty-free license from Mr. LIU Weiping for three trademarks. According to the licensing agreement, our right to use such IP rights ceases only when the statutory period expires and is not renewed by Mr. LIU Weiping. According to relevant Chinese laws and regulations, the term of invention patent rights is 20 years, the term of utility model patent rights is 10 years and the term of design patent rights is 15 years; the term of validity of registered trademarks is 10 years, and the trademark is subject to renewal procedures once the term of validity expires; for the works of natural persons, the protection period for the personal rights of the copyright owner is not restricted, and the protection period of the property rights of copyright owner equals to the author's lifetime and 50 years after his death. The intellectual property office in our legal department is responsible for communication with Mr. LIU Weiping with regard to future renewal. We currently have no plan to transfer the intellectual property rights from Mr. LIU Weiping to us as the IP license framework agreement we entered into with Mr. LIU Weiping will provide us the right to use most of Mr. LIU Weiping's intellectual property rights at nil consideration commencing on the Listing Date. See "Connected Transactions – Fully Exempt Continuing Connected Transactions – 2. IP License Framework Agreement."

We protect our intellectual property rights, including trademarks, patents, copyrights and domain names, strictly in accordance with the relevant laws and regulations. We have established an intellectual property management system, and regularly improve and update our intellectual property management system in line with business development. As our brand name is well recognized among consumers in China, we believe that protecting and enforcing our intellectual property rights is crucial to our business operation, branding and reputation. We seek to maintain registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. On the other hand, proprietary know-how that is not patentable and processes for which patents are difficult to enforce are also important for us. We have established a complete set of confidentiality system for the formulas of our products. For example, we have included confidentiality clauses in OEM contracts, which provides that information regarding our formulas should be treated strictly as confidential. Also, for external personnel who come to our Company for training, study, visits and other activities, we require that they must be accompanied by our staff at all times. Without permission,

visitors are not allowed to visit our R&D offices or laboratories, and visitors are denied access to our R&D documents and operating computers. We expect to rely on business confidentiality agreements to safeguard our interests in this respect. We have entered into confidentiality agreements, or employment agreements with confidentiality terms, with our employees, requiring them to strictly comply with our confidentiality requirements.

As of the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. For details, see "Appendix IV – Statutory and General Information."

SOCIAL RESPONSIBILITY, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We have been, and will continue to be, highly committed to sustainable corporate responsibility projects. We are committed to social responsibilities, and consider environmental, social and governance ("**ESG**") essential to our continuous development. We focus on areas such as economic responsibility, employee responsibility, customer responsibility, supplier responsibility, environment responsibility and public responsibility. We plan to set up metrics and targets for these ESG issues and to review our key ESG performance on a regular basis. Our Directors will actively participate in designing our ESG strategies and targets, and will evaluate, determine and address our ESG-related risk. We may from time to time engage independent professional third parties to help us make necessary improvements.

Social Responsibility

Leveraging our resources and expertise, we have been and will continue to be highly committed to sustainable corporate responsibility projects. We have been committed to help with post-disaster recovery, from the Wenchuan earthquake to the Yushu earthquake and further to the recent COVID-19 pandemic. In addition, we are committed to contributing to charitable causes, including education, assistance to handicapped persons, medical supporting and the alleviation of poverty. In 2020, we donated approximately RMB1.7 million for diversified social responsibility causes, including, but not limited to, donation of RMB250,000 to the frontline of pandemic prevention and RMB400,000 to an education foundation in Hunan Pingjiang County. In July 2021, we donated RMB10 million to support the disaster relief works related to the flood in Henan.

Health, Safety and Environment Matters

We are subject to Chinese laws and regulations in relation to labor, safety and environment protection matters. We have established occupational safety and sanitation systems and provide employees with workplace safety training on a regular basis to increase their awareness of work safety issues. We require our employees to submit to health examinations and hold a valid health certificate at work. During the Track Record Period and up to the Latest Practicable Date, we had complied with Chinese laws and regulations in relation to occupational health and workplace safety in all material respects and have not had any incidents which have materially and adversely affected our operations.

We consider the protection of the environment important and have implemented measures to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. During the Track Record Period and up to the Latest

Practicable Date, we were not subject to any fines or penalties for non-compliance with Chinese environmental laws and regulations, which could have a material adverse effect on our business, financial condition and results of operations.

Governance

We acknowledge our responsibilities on environmental protection, social responsibilities and are aware of the climate-related issues that may have impact on our business. We are committed to complying with environmental, social and governance ("**ESG**") reporting requirements upon listing. We have established an ESG policies (the "**ESG Policy**") in accordance with the standards of Appendix 27 to the Listing Rules, which outlined, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governing structure, (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators ("**KPIs**"), the relevant measurements and mitigating measures.

Our ESG Policy also sets out the respective responsibility and authority of different parties in the above processes. Our Board has the overall responsibility for overseeing and determining our Group's environmental-related, climate-related and social-related risks and opportunities impacting the Group, establishing and adopting the ESG Policy, strategies and targets of our Group, and reviewing our Group's performance annually against ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

We have coordinated efforts across departments including our production department, R&D department and environmental safety department to report on ESG issues to our management. We undertake to establish an ESG committee one year within the Listing Date to assist our Board to oversee ESG governance, ensure implementation of ESG policies, monitor ESG-related performance and targets, adjust ESG strategies as appropriate and prepare the ESG report. We are also in the planning phase to establish an ESG working group to support our Board and ESG committee in implementing the agreed ESG Policy, targets and strategies, conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how we adapt our business in light of climate change, collecting ESG data from the relevant interested parties while preparing for the ESG report, and continuously monitoring the implementation of measures to address our Group's ESG-related risks and responsibilities. The ESG working group would in general be responsible for the investigation of deviation from targets and liaise with the production department and environmental safety department to take prompt rectification actions. The ESG committee and ESG working group would report to our Board on a semi-annual basis via board meeting on the ESG performance of our Group, the effectiveness of these ESG systems and any applicable recommendations.

Occupational Health and Safety

We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, operation safety, warehouse safety, work-related injuries and emergency and evacuation procedures to promote occupational health and safety and to ensure compliance with applicable laws and regulations. Also, we provide suitable and necessary protection equipment to our employees,

i.e., goggles, protective suits and masks to ensure their safety during work. Furthermore, we inspect our production facilities from time to time in order to ensure that such facilities are safe for use.

Introduction of Safe and Healthy Products

As a highly popular snack food brand among the younger generation in China, we recognize the importance of public food safety. We have implemented safety and quality assurance system that covers the entire production process of our products. In addition, we aim to continue to offer healthy and nutritious products by conducting nutrition research, technology upgrade and product developments. In particular, we have (i) adopted new production techniques such as non-fried technologies and self-developed low temperature sterilization technologies to present the original flavors and retain nutrients of food; (ii) adopted the advisory "best before period" label instead of mandatory "use by" label in our food safety and quality assurance system for our shelf life date marking to ensure not only the safety of our products but also the high quality of our products; (iii) implemented stringent internal standards for food additives used in our products in compliance with relevant laws and regulations; and (iv) devoted to nutrition researches to keep updating our product formula. In particular, we have adopted non-fried technologies for all of our products except for *soft tofu skin*. We have also adjusted our formula and increased the content of dietary fiber in our products. We will continue to update existing products and launch new products to meet consumers' increasing demands for healthier snack food.

Environmental Protection

We recognize the importance of environmental protection and sustainability, and our commitment to environmental protection and sustainability was recognized by the fact that we are listed on the fifth batch of national green manufacturing list in Henan province and the provincial green manufacturing list in Henan province in 2020.

We primarily use cardboard boxes, packaging bags and thin packaging films as packaging materials. See "Business – Raw Materials, Packaging Materials and Suppliers – Our Packaging Materials" for more information. During the Track Record Period, all cardboard boxes we used were biodegradable. Materials for our packaging bags and thin packaging films are mostly made of non-biodegradable aluminum-plastic composite film, plastic-plastic composite film, polyolefin shrink film and aluminum-plated composite film. We have endeavored to mitigate the impact on the environment from the use of plastic materials by reducing the plastic thickness for some of our product packages to control the total amount of plastics used. To our best knowledge, biodegradable packaging materials have not been widely adopted in the spicy snack food industry. We have been on a constant lookout for the latest development in the industry of environmentally friendly packaging materials and plan to switch to biodegradable alternatives for our packaging bags and thin packaging films two to three years after the technology of biodegradable materials matures by directly sourcing from packaging material suppliers. In addition, we will also conduct in-house R&D on renewable materials such as sugarcane fibers to develop biodegradable packaging materials. See "– Sustainable Development." Our packaging materials are measured in different metrics. Our cardboard boxes and packaging bags are measured by pieces, and our thin packaging films are measured by meters. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we had used 109.2 million, 135.8 million, 163.4 million, 77.1 million and 82.4 million pieces of cardboard boxes, 3,425.1 million, 4,693.2 million, 6,422.9 million, 3,057.5 million and 2,716.5 million pieces of packaging bags,

and 283.7 million, 291.7 million, 321.1 million, 159.5 million and 135.2 million meters of thin packaging films, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had produced the following key pollutants, which have been dealt with through the implementation of corresponding environmental measures:

- ***Management of Waste Water.*** We generate waste water during the production process. Some of them are potentially hazardous, including chemical oxygen demand (COD), ammonia nitrogen (NH3-N) and total phosphorus. Our waste water discharge requirements are implemented in accordance with the standards of the Pollution Discharge Permit issued by Department Ecology and Environment of Luohe City. We have adopted the following measures to minimize the impact of the waste water, including (i) establishment a sewage station and adoption of specific processes to treat production and domestic sewage and ensure that the discharged water meets the Integrated Wastewater Discharge Standard; (ii) contract with a qualified environmental protection company to treat the waste oil, excessive sludge and other waste generated in the sewage process; (iii) implementation of deodorization facilities to treat the odor generated by the sewage tank and (iv) use of biogas boilers to recycle the biogas to reduce greenhouse gas emissions.

- ***Management of Waste Gas.*** We generate waste gas during the production process. Some of them are potentially hazardous, including fume, hydrogen sulfide, ammonia and odor concentration. We follow the standards of the Pollution Discharge Permit to discharge waster gas. We have adopted the following measures to minimize the impact of the waste gas, including (i) use of high-efficiency electrostatic fume purification facilities, low-temperature plasma UV photolysis integrated machine, and activated carbon adsorption device for emissions of non-methane hydrocarbons and oil fume. Our organized emission concentration and emission rate of total non-methane hydrocarbons meet the requirements of the national standard of the *Integrated Emission Standard of Air Pollutants (GB16297-1996)*, and our emission concentration of oil fume meet the *Emission Standard of Fume Pollutants from Catering Industry (DB41/1604-2018);* (ii) use of cloth bag dedusters to process and discharge the emissions of particulate matter. Our concentration of particulate matter emission meet the national standard of the *Integrated Emission Standard of Air Pollutants (GB16297-1996)*; and (iii) use of spray method to discharge the emissions of NH3 and H2S. Our emission concentration of NH3 and H2S meet the national standard requirements of *Emission Standards for Odor Pollutants(GB14554-93)*.

- ***Management of Solid Waste.*** We generate solid waste during our production processes. Some of them are potentially hazardous, including engine oil. All hazardous solid wastes were centrally and properly stored in hazardous waste warehouse of each main plant. The domestic solid waste was collected and processed by the city sanitation department. Other non-hazardous wastes were collected and processed by qualified contractors. During the Track Record Period, non-hazardous waste generated from our production processes include primarily thin packaging films, cardboard boxes, woven bags, and product scrap. According to relevant non-hazardous waste processing contracts, an annual average of approximately 924.0 tons of thin packaging films, 970.5 tons of cardboard boxes, 91.5 tons of woven bags, and 1,313.0 tons of product scrap were processed during the Track Record Period.

Potential Financial Impact of ESG-Related Risks

Our business operations are subject to environmental protection laws and regulations promulgated by the Chinese government. For example, we are required by the relevant governmental authorities to carry out an environmental impact assessment before constructing factory or production equipment to minimize the impact of our business operation on the environment. Maintaining compliance with applicable environmental rules and regulations is costly. If we breach any environmental-related laws and regulations, or face any accusation of negligence in environmental protection, in addition to the potential fines and penalties, such incidents may also adversely affect our reputation and creditability. Our business opportunities may be negatively impacted, for instance, our suppliers may be less willing to grant us a longer credit term because of our reputational damage and loss of creditability.

Notwithstanding the above, due to our effective internal control and risk management measures as outlined in details below, our business, results of operation and financial condition had not been materially adversely impacted by any climate-related incident during the Track Record Period and up to the Latest Practicable Date.

Furthermore, potential transition risks may result from the transitioning to a lower-carbon economy which entails change in climate-related regulations and policy. Tightened environmental regulations may require significant investment to be made in transforming our business and operations. On the other hand, in the face of the potential transition risks, leading spicy snack food companies like us with modern management techniques and operating procedures may be able to adapt to the new environmental rules in a swifter manner, thereby capturing more business opportunities.

Our Strategies in Addressing ESG-Related Risks and Opportunities

Climate-related issues are among our key agenda. Supervised by our Board, we actively identify and monitor the climate-related risks and opportunities over the short, medium and long term and we seek to incorporate such climate-related issues into our businesses, strategy and financial planning. For examples, we continuously reduce energy consumption and reduce greenhouse gas emissions through energy-saving transformation.

We will incorporate physical and transition risk analysis into risk assessment processes. If the risks and opportunities are considered to be material, we will incorporate them into the strategy and financial planning process. We also aim to minimize the transition risk in the long term through enhanced energy efficiency, adoption of green supply chain and environment friendly ingredients and consumption of renewable energy, and we are committed to our emission reduction targets. This does not only reduce our exposure to transition risk but also improve the environmental performance of our products. Upon annual review of the progress against our targets for addressing climate-related issues, we may revise the ESG strategies as appropriate.

Risk Management and Mitigating Measures

We are planning on adopting a series of comprehensive and effective measures to identify, assess, manage and reduce the risk relating to ESG. For example, we monitor energy consumption data through the energy

management system and generate reports; we monitor and reduce the discharge of water pollutants through the sewage treatment system; and we reduce the concentration of air pollutants through the exhaust gas treatment system. For details of our risk management policies and procedures, including the risk management processes for identifying and assessing risks, see"– Risk Management and Internal Controls." Moreover, with a goal to minimize the impacts of our business operation on environment, we are in the process of developing our environmental protection management and control procedures, which provide guidance on managing and handling ESG-related matters.

We will also continuously monitor climate-related matters and governmental developments around actions to combat climate change and act to minimize the impact on our operations.

Metrics and Targets

Pollutant Discharge, Water and Energy Consumption

We strictly adhere to the standards, metric and targets set or issued by the relevant Chinese environment-related laws and regulations in assessing and managing our impacts on the environment as a result of our business activities, such as the consumption or use of potentially hazardous or harmful substances in our production. Historically, we mainly tracked the KPIs such as energy consumption, fresh water consumption, and water pollutants emission in relation to our principal business. During the Track Record Period, we hired third-party agencies to test the concentration of air pollutants in our waste gas emission periodically and issue relevant reports, as stipulated by relevant laws and regulations, to ensure the pollutant concentration was within the permitted range. In addition, we used the measured level of our energy consumption as a proxy to estimate our greenhouse gas (the "GHG") emission. During the Track Record Period and up to the Latest Practicable Date, the discharge of pollutants generated during our production process had remained within prescribed regulatory limits and we believe that our business operations do not have a material adverse impact on the environment. Our production facilities in China are also subject to regular inspections by Chinese environmental regulatory authorities.

The following table illustrates the examples of the average amount of water and energy consumption for two products with representative production lines for during the Track Record Period:

Seasoned flour products

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
Electricity consumption (kilowatt-hour of electricity/ton of product)	240.2	239.3	228.1	217.7
Fresh water consumption (ton of water/ton of product)	0.6	0.7	0.7	0.7

Konjac Shuang

	As of December 31,			As of June 30,
	2019	2020	2021	2022
Electricity consumption (kilowatt-hour of electricity/ton of product)	905.1	884.5	777.9	823.8
Fresh water consumption (ton of water/ton of product)	20.2	24.3	22.3	17.1
Steam consumption (ton of steam/ton of product)	2.8	2.5	2.0	2.4

Air Pollutants Emissions

Metrics and Targets. We are expected to achieve 10% reduction in air pollutant concentration in the foreseeable future. The emission concentration of different air pollutants is tested quarterly or semi-annually. We are taking steps to reduce air pollutants concentration such as using air pollutant purification equipment to reduce the emission of air pollutants.

GHG Emissions

Metrics and Targets. We are expected to achieve 10% reduction in GHG emissions in the foreseeable future. We strive to continuously reduce the level of GHGs by controlling our energy consumption.

Water Pollutants Emissions

Metrics and Targets. We are expected to achieve 10% reduction in water pollutant discharge in the foreseeable future. We use clean production and water filtration systems to reduce our water pollutants.

Energy Consumption

Metrics and Targets. We are expected to achieve 8% reduction in energy consumption in the foreseeable future. We reduce energy consumption by using comprehensive energy utilization projects such as energy-saving cold storages and PV system. We have put our PV system in use since September 2021, which effectively reduced our electricity procurement.

Fresh water consumption

Metrics and Targets. We are expected to achieve 10% reduction in fresh water consumption in the foreseeable future. We reduce energy consumption by using fine filter water saving project.

Sustainable Development

We endeavor to reduce negative impact on the environment through our commitment to sustainable development. Since 2018, we have adopted measures to reduce plastic waste, including launch of lightweight packaging, improvement of packaging process, and introduction of new packaging materials. In particular, we have adopted new plastic materials to reduce packaging thickness for certain of our products including *Konjac Shuang*, *Fengchi Kelp*, and *Kiss Burn*. We plan to reduce our total consumption of plastics gradually. In addition,

by further introducing new packaging materials such as single-layer recyclable PE materials as more environmentally friendly alternatives to multi-layer PET materials, we help to raise the awareness of recyclable materials for our customers and consumers.

INSURANCE

In line with general market practice, we do not maintain any business interruption insurance, product liability insurance or environmental liability protection insurance, which are not mandatory under Chinese laws or relevant foreign laws. We do not maintain life insurance for key personnel or insurance policies covering damages to our network infrastructures or information technology systems. We maintain insurance to cover properties and assets, as well as medical expenses for production accidents. Our Directors consider that our existing insurance coverage is consistent with industry practice in China and sufficient for our present operations. See "Risk Factors – Risks relating to our business and industry – We have limited insurance to cover our potential losses and claims." As of the Latest Practicable Date, we did not have any material outstanding insurance claims in relation to our business.

RISK MANAGEMENT AND INTERNAL CONTROLS

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies, procedures and risk management methods that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems, developing a risk management culture and raising the risk management awareness of all employees.

In order to identify, assess and control the risks that may create impediments to our success, we have implemented a risk management system that covers each material aspect of our operations, including financial security, production, logistics, technology and compliance. As our risk management is a systematic project, each of our departments is responsible for identifying and evaluating the risks relating to its area of operations. Our audit committee is responsible for overseeing and accessing our risk management policy and it supervises the performance of our risk management system.

PROPERTIES

Our headquarters office is located in Luohe, Henan Province, the PRC. We own and lease properties in China. As of the Latest Practicable Date, all of our production plants were located in 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 prospectus 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 owned land use rights of seven parcels of land in China with an aggregate site area of approximately 656,138.17 sq.m., which were primarily used for production, storage, office or residential purposes. We had obtained the land use right certificates for all of the land owned by us. As of the Latest Practicable Date, among the seven parcels of land we owned, four parcels, with an aggregate site area of approximately 449,156.84 sq.m., have buildings under construction.

As of the Latest Practicable Date, we owned a total aggregate gross floor area of approximately 317,395.52 sq.m. of buildings in China, which were primarily used for production, storage, office or residential purposes. Among them, we had obtained the building ownership certificates for those buildings with an aggregate gross floor area of approximately 313,122.56 sq.m., accounting for approximately 98.65% of the aggregate gross floor area of our owned buildings. We had not obtained the building ownership certificate for the remaining aggregate gross floor area of approximately 4,272.96 sq.m. as of the Latest Practicable Date, among which we had used approximately 1,921 sq.m. for warehousing with the rest unused as of the same time. As we did not fully conform to the construction plan as approved by local authorities, and consequently, we could not obtain relevant construction permits and could not complete the inspection and acceptance procedure upon the completion of construction of such building. As of the Latest Practicable Date, we were not aware of any incidents that have arisen due to the safety conditions of these properties and we were not aware that the relevant building ownership certificates were not obtained due to the safety conditions of these properties. We expect to continue using such building as warehouse while we are actively exploring potential rectifying measures. As advised by our PRC Legal Advisors, we may face the risks of (i) being required to rectify the violations of the construction planning or relevant regulations and paying a fine in the amount of 5% to 10% of the construction costs of such buildings; and if such rectification is not feasible, demolishing or turning over such buildings, as well as paying a fine of up to 10% of the construction costs of such buildings; (ii) paying a fine up to 2% of the construction costs for construction works without the permit for the commencement of the construction project; and (iii) paying a fine in the amount of 2% to 4% of the construction costs of such building for using the building without going through the inspection and acceptance procedures upon completion of the construction of the building. As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities because of the abovementioned defects of such owned building.

We believe that the defects of such owned building would not materially and adversely affect our business, results of operations and financial conditions, primarily because (i) the aggregate gross floor area we use in such building accounted for less than 1% of the aggregate gross floor area of our owned buildings; (ii) such building is not crucial to our operations as it is not used for production purpose; (iii) if necessary, we believe that we will be able to find comparable properties as alternatives at commercially acceptable terms to us, and such relocation will not have any material adverse effect on our financial condition or our results of operations, and (iv) we have obtained an indemnity from our founders, Mr. LIU Weiping and Mr. LIU Fuping to indemnify our Group against any claims, fines, economic losses and other losses which may arise from such defects.

In addition, in 2022, we entered into property purchase and sale agreements in Shanghai (《上海市商品房出售合同》) for a building with an area of 9,209.53 sq.m. and several vehicle parking lots with a total area of

1,568.97 sq.m. with a real estate development company in Shanghai. As of the Latest Practicable Date, we had obtained the ownership certificates for the abovementioned building and are in the process of registering the ownership certificate for the parking lots.

Leased Properties

As of the Latest Practicable Date, we entered into 44 lease agreements for a total aggregate gross floor area of approximately 85,700.97 sq.m. of buildings in China, which were primarily used for production, storage, office or residential purposes. Among them, we had obtained valid title certificates or documents to prove their legal rights from relevant landlords of those leased buildings with an aggregate gross floor area of approximately 57,702.97 sq.m. covered by 42 of our lease agreements, accounting for 67.33% of the aggregate gross floor area of our leased buildings, while for the other leased buildings with an aggregate gross floor area of approximately 27,998.00 sq.m. covered by the other two of our lease agreements, the landlords of such buildings had not provided us with the relevant title certificates as of the Latest Practicable Date. Such leased buildings are used for production, storage, office or residential purposes.

We believe that the reasons that the landlords failed to provide us with the relevant title certificates are beyond our control. In order to minimize the potential negative impacts of the above title defects on our operations, we have maintained regular and active communications with such landlords regarding the progress of their rectification of the title defects and we have obtained confirmations from all the relevant lessors where they promise to guarantee our use under the lease agreements. In addition, we have established internal guidelines and enhanced our internal control procedures to improve our evaluation of the new leased buildings from a compliance perspective, and we will make careful inspections of the title of leased buildings before signing the lease in the future. We will also consult our external legal advisor with regard to reviewing the title certificates and other documents of our new leased buildings in order to ensure compliance with applicable Chinese laws and regulations.

For any of our leased buildings with any of the aforementioned defects, we believe we are able to find comparable properties as alternatives at commercially acceptable terms to us if we must stop occupying any of these leased buildings, without any delay, significant costs and interruption to our business. In addition, we have obtained an indemnity from our founders, Mr. LIU Weiping and Mr. LIU Fuping to indemnify us against any claims, fines, economic losses and other losses from relocation which may arise from such defects.

In addition, as of the Latest Practicable Date, we had not registered 40 of our lease agreements with the relevant competent authorities in accordance with applicable Chinese regulations. As advised by our PRC Legal Advisors, failure to register the lease agreements would not affect the validity and enforceability of such lease agreements. However, if we and the landlords fail to register such lease agreements 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 agreements. As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities, and the amount of potential penalties accounts for a minimal portion of our total revenue during the Track Record Period. As advised by our PRC Legal Advisors, the defects of such leased buildings would not materially and adversely affect our business. In addition, we have obtained an indemnity from our founders, Mr. LIU Weiping and Mr. LIU Fuping to indemnify us against any fines and other losses which may arise from such non-registration.

LEGAL PROCEEDINGS AND COMPLIANCE

Licenses, Approvals and Permits

According to our PRC Legal Advisors, as of the Latest Practicable Date, we had obtained all material licenses, permits, approvals and certificates that are material for our business operations in China and such licenses, permits, approvals and certificates are valid and subsisting.

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, which could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, except as disclosed hereunder and elsewhere in this prospectus, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that, except as disclosed hereunder and elsewhere in this prospectus, 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.

Social Insurance and Housing Provident Funds

Background and Reasons for Non-compliance

During the Track Record Period and as of the Latest Practicable Date, we had not made social insurance and housing provident fund contributions for some of our employees timely or in full in accordance with the relevant Chinese laws and regulations. Based on relevant regulatory policies and the facts stated below, the aggregate amount of social insurance and housing provident fund contributions that we had failed to pay is estimated to be RMB30.2 million, RMB35.6 million, RMB33.0 million and RMB13.1 million, in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We have made full provision for such aforementioned underpaid amount at the end of each of the years comprising the Track Record Period. We were unable to make full social insurance and housing provident fund contributions for such employees primarily because (i) certain of our employees were not willing to bear the costs associated with social insurance and housing provident funds strictly in proportion to their salary, and (ii) a certain number of our employees are migrant workers who are typically not willing to participate in the social welfare schemes of the city where they temporarily reside and instead they chose to participate in local welfare schemes offered in their place of residency. In those cases, we provide these employees with compensation and benefits in lieu of such contribution.

Potential Legal Consequences

Pursuant to relevant Chinese laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed period and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times the overdue amount. Pursuant to relevant Chinese laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to Chinese courts for compulsory enforcement. The aggregate shortfall of social insurance contributions is estimated to be approximately RMB16.5 million, RMB18.5 million, RMB14.3 million, RMB11.4 million and RMB7.3 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. As advised by our PRC Legal Advisors, pursuant to relevant Chinese laws and regulations, the maximum potential penalties would equal to three times of the shortfall of our social insurance contribution if we failed to make required payment within the prescribed period as required by the government. Our PRC Legal Advisors is of the view that, based on the confirmations from and interviews with relevant authorities, considering relevant regulatory policies and the facts stated above, in the absence of employees' complaints, the likelihood that we are subject to collection of historical arrears and any material penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees is low.

Latest Status and Remedial Measures

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order or been informed to settle the deficit amount. Moreover, as of the Latest Practicable Date, we were not aware of any complaint filed by any of our employees regarding our social insurance and housing provident fund policy.

For social insurance, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (《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, it is prohibited for administrative enforcement authorities to organize and conduct centralized collection of enterprises' historical social insurance arrears.

We have taken the following internal control rectification measures to prevent future occurrences of such non-compliance:

- we have enhanced our human resources management policies, which explicitly require social insurance and housing provident fund contributions to be made in full in accordance with applicable local requirements;

- we are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees;

- we will keep abreast of latest developments in Chinese laws and regulations in relation to social insurance and housing provident funds; and

- we will consult our PRC legal advisors on a regular basis for advice on relevant Chinese laws and regulations to keep us abreast of relevant regulatory developments.

Having considered the foregoing, we believe that such non-compliance would not have a material adverse effect on our business, results of operations or financial condition, considering that: (i) we had not been subject to any administrative penalties during the Track Record Period and up to the Latest Practicable Date due to such non-compliance with respect to social insurance and housing provident funds, (ii) we were neither aware of any employee complaints filed against us nor involved in any labor disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date, (iii) as of the Latest Practicable Date, we had not received any notification from the relevant Chinese authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds, and (iv) as advised by our PRC Legal Advisors, based on the confirmations from and interviews with relevant authorities, considering relevant regulatory policies and the facts stated above, in the absence of employees' complaints, the likelihood that we are subject to collection of historical arrears and any material penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees is low; and (v) we have obtained an indemnity from our founders, Mr. LIU Weiping and Mr. LIU Fuping to indemnify us against any claims, fines, economic losses and other losses which may arise from such non-compliance.

Environmental Protection

We were not subject to any material penalties in relation to pollutant discharge, water and energy consumption or breaches of other environmental laws and regulations during the Track Record Period. We have endeavored to implement measures and targets for environmental protection. See "Business – Social Responsibility, Health, Safety and Environmental Matters – Environmental Protection".

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. LIU Weiping and Mr. LIU Fuping, through their trust vehicles and various intermediary subsidiaries (including HH Global Capital, Amused Town Limited, Decision Stone Limited, Adroit Fairy Limited, Beacon Flash Limited, HH Green Philosophy and HH Innovation Group), will be collectively interested in approximately 80.99% of our enlarged issued share capital through HH Global Capital, thus they will remain as the group of our Controlling Shareholders.

For background of Mr. LIU Weiping and Mr. LIU Fuping, see "Directors and Senior Management" for details. For background of HH Global Capital, Amused Town Limited, Decision Stone Limited, Adroit Fairy Limited, Beacon Flash Limited, HH Green Philosophy and HH Innovation Group, see "History and Reorganization – Reorganization" for details.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that our business will function independently from the group of our Controlling Shareholders and their close associate after the completion of the Global Offering.

Management Independence

Our business is managed and conducted by our Board and senior management. Despite that Mr. LIU Weiping serves as our executive Director and Chairman of the Board, and Mr. LIU Fuping serves as our executive Director and vice chairman of the Board, Mr. LIU Weiping and Mr. LIU Fuping have devoted substantially all of their business interests to our Group, and our Directors expect that there will be no competition between the Company and the group of our Controlling Shareholders and the risk of potential conflicts of interest will be comparatively low. Our Directors believe that our Board and our management team are able to operate our business and managing all actual or potential conflicts of interest independently of the group of our Controlling Shareholders for the following reasons:

(i) each of our Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

(ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;

(iii) our daily management and operations are carried out by our five executive Directors and six members of our senior management team. As of the Latest Practicable Date, the other four executive Directors and four members of the senior management team of the Company except for Mr. LIU Weiping and Mr. LIU Fuping, do not hold any management position or directorship in the

group of our Controlling Shareholders' associates. They also have substantial experience in the industry in which our Company is engaged and will therefore be able to make business decisions that are in the best interest of our Group;

(iv) all of our three independent non-executive Directors are independent of the Controlling Shareholders and have extensive experience in their respective areas of expertise. See "Directors and Senior Management." All 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 Global Offering, our Company will adopt a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the group of our Controlling Shareholders 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 role in our Group independently.

Operational Independence

We are in possession of all production and operating facilities and technology relating to our Group's business and have obtained relevant requisite qualifications and approvals for conducting all our business. Currently, we engage in our Group's business independently, with the independent right to make operational decisions and implement such decisions. We have independent access to customers and suppliers and are not dependent on the Controlling Shareholders for any significant amount of our revenue, product development, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently from the group of our Controlling Shareholders. We have our own organizational structure with independent departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

We entered into certain continuing connected transactions with our Controlling Shareholders and/or their associates in respect of some of our business lines. For more details, see "Connected Transactions." Considering that our access to independent sources, the sufficient competitive market, our Directors consider that, even if such agreements are terminated, our Company will be able to identify other suitable partners or substitutes through fair negotiation at similar terms and conditions in line with the market terms to meet our business and operational needs without causing any undue delay.

Based on the above, our Directors are of the view that the Company operates independently from the group of our Controlling Shareholders.

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from the group of our Controlling Shareholders and their respective close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with the group of our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of the group of our Controlling Shareholders and their close associates.

All borrowings and non-trade nature balances between the group of our Controlling Shareholders and/or their close associates, and us have been settled, and all guarantees provided to us by the group of our Controlling Shareholders and/or their close associates have been released.

Based on the above, our Directors believe that we are able to maintain financial independence from the group of our Controlling Shareholders and their respective close associates.

COMPETING ISSUES UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of the group of our Controlling Shareholders in our Company and its subsidiaries, the group of our Controlling Shareholders and Directors confirm that as of the Latest Practicable Date, they 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, which would require disclosure under Rule 8.10 of the Listing Rules.

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 group of our Controlling Shareholders:

(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 is to be held for considering proposed transactions in which the group of our Controlling Shareholders or any of his associates has a material interest, the relevant Controlling Shareholders 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 the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his 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 not less than one-third of 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) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the relevant Controlling Shareholders shall provide the independent non-executive Directors with all relevant financial, operational and market and any other necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements;

(vi) 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

(vii) we have appointed Mont Avenir 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 Directors' duties and internal controls.

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 group of our Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the Listing.

Upon Listing, transactions between members of our Group and our connected persons will constitute connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

SUMMARY OF OUR CONNECTED PERSONS

The table below sets forth parties who will become our connected persons upon Listing and the nature of their relationship with our Group. We have entered into certain transactions with the following connected persons, which will constitute our connected transactions upon Listing:

Name	Connected Relationship
Zhumadian Ping Ping	A company owned by Mr. LIU Weiping and Mr. LIU Fuping as to 60% and 40%, respectively, and therefore an associate of our Controlling Shareholders
Mr. LIU Weiping	Chairman of the Board and executive Director of the Company
Delong Color Printing	A company 30% owned by Mr. LIU Fuping and therefore an associate of our Controlling Shareholders

SUMMARY OF OUR CONNECTED TRANSACTIONS

Nature of transactions	Applicable Listing Rules	Waiver sought	Proposed annual caps for the year ending December 31, (RMB in millions) 2022	2023	2024
One-off connected transaction					
1. Property Leasing Agreement	14A.34	N/A	N/A	N/A	N/A
Fully exempt continuing connected transactions					
2. IP License Framework Agreement	14A.34 14A.52 14A.53 14A.76	Exempted	N/A	N/A	N/A
Non-exempt continuing connected transactions					
3. Packaging Materials Supply Framework Agreement	14A.34 14A.35 14A.36 14A.76 14A.105	Announcement and independent Shareholders' approval requirements	157	196	246

ONE-OFF CONNECTED TRANSACTION

1. Property Leasing Agreements

Our Group has entered into certain property leasing and utilities agreements with Zhumadian Ping Ping with a term from January 1, 2021 to December 31, 2023, pursuant to which the Group has rented certain properties of 40,369.94 sq.m. from members of the Zhumadian Ping Ping for the use of production and business operation (the "**Property Leasing Agreements**"). The Property Leasing Agreements can be renewed upon its expiry as agreed by the parties to the agreement.

We have historically leased certain properties from Zhumadian Ping Ping. Relocating our offices to other premises will cause unnecessary disruptions to our normal business operation and incur unnecessary costs. We believe these Property Leasing Agreements will ensure the continuing smooth operation of our Group and to save costs, which is in the interests of our Group and our Shareholders as a whole.

In accordance with IFRS 16 "Leases" (which is mandatory from January 1, 2019, and applied by our Group since January 1, 2018), the leases under the Property Leasing Agreements are recognized as right-of-use assets on our balance sheet. Therefore, the entering into the Property Leasing Agreements will be regarded as the acquisition of capital assets and one-off connected transactions, rather than continuing connected transactions. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions are conducted in the ordinary course of business of our Group and on normal commercial terms or better, where each of the relevant percentage ratios (except for the profits ratio) for the three years ending December 31, 2024 calculated for the purpose of Chapter 14A of the Listing Rules will, as the Directors of our Company currently expect, be less than 0.1% on an annual basis. By virtue of Rule 14A.76(1)(a) of the Listing Rules, the transactions will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. IP License Framework Agreement

Our Group entered into an IP license framework agreement (the "**IP License Framework Agreement**") with Mr. LIU Weiping on November 29, 2022, pursuant to which Mr. LIU Weiping has agreed to grant our Group license to use his intellectual property rights, including but not limited to trademarks, patents and copyrights (the "**IP rights**") for the Group's products, packaging, services and profile documents at nil consideration. The term of the IP License Framework Agreement will commence on the Listing Date and be effective long-term. Our Group's right to use certain IP rights under the IP License Framework Agreement ceases when the statutory period of such specific IP right expires and is not renewed by Mr. LIU Weiping.

Our Group has been using these IP rights for several years and has received market recognition. We believe that for our Group to continue to use such IP rights after completion of the Global Offering is in the best interest of our Group and the shareholders as a whole.

Our Directors currently expect that all the relevant percentage ratios for transactions under the IP License Framework Agreement calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be less than 0.1% on an annual basis. Therefore, such transactions are de minimis transactions and will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

The following transactions are conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where the highest relevant percentage ratios (except for the profits ratio) for the three years ending December 31, 2024 calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, be more than 5% on an annual basis. By virtue of Rules 14A.49, 14A.71, 14A.35 and 14A.36 of the Listing Rules, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements.

3. Packaging Materials Supply Framework Agreement

Parties:

Our Company; and

Delong Color Printing

Principal terms

We entered into a framework agreement on supply of packaging materials with Delong Color Printing (the "**Packaging Materials Supply Framework Agreement**") on November 29, 2022, pursuant to which Delong Color Printing will provide food packaging materials to our Group.

The initial term of the Packaging Materials Supply Framework Agreement will commence on the Listing Date and end on December 31, 2024, and can be renewed upon its expiry as agreed by the parties to the agreement.

Separate underlying agreements will be entered into which will set out the details of materials, purchase price, payment method and other details of the materials supply arrangements in the manner provided in the Packaging Materials Supply Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

Reasons for the transaction

Delong Color Printing has historically supplied packaging materials to members of the Group due to its satisfactory products, favorable prices, and geographical advantage. In addition, our Group and Delong Color

Printing have a long term, stable relationship and Delong Color Printing is familiar with our business needs and requirements. Based on our previous experience in business dealing with Delong Color Printing, we believe Delong Color Printing is capable of effectively satisfying our demands for the relevant products and services in a stable and reliable manner.

Pricing policies

The purchase price payable by us to Delong Color Printing under the Packaging Materials Supply Framework Agreement will be determined through a bidding process according to the internal rules and procedures of our Company. We will send bidding documents to selected suppliers, collect and compare quotes offered by at least two Independent Third Parties for products of the same or similar quality. The Company will also take into consideration the cost of materials provided, the quality of the materials, as well as the production scale and capacity of the supplier. The winning bidder and the purchase price of packaging materials will be subject to approval of our procurement departments.

Historical amounts

We started to purchase packaging materials from Delong Color Printing in 2018, and during the past four years the production capacity of Delong Color Printing has been continuously expanding. The historical amounts of fees relating to the purchase of products paid by our Group to Delong Color Printing for the year ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022 are set out as below:

	For the year ended December 31,			For the six months ended June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Aggregate amount of fees relating to the purchase of packaging materials paid by our Group to Delong Color Printing	73.9	92.5	125.9	50.3

Annual caps

The following table sets forth the proposed annual caps under the Packaging Materials Supply Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2022	2023	2024
	(RMB in millions)		
Maximum fees relating to the purchase of packaging materials to be paid by our Group to Delong Color Printing	157	196	246

Basis of caps

When estimating the annual caps, our Directors have taken into consideration the following factors:

(i) the growth trend of the historical transaction amount for the year ended December 31, 2019, 2020 and 2021;

(ii) our needs for packaging materials to be provided by Delong Color Printing in supporting the projected growth of our business operation as part of the manufacturing facility of Xinglin Foods has been put into production in January 2022, and we expect that our production scale will continue to grow in the three years ending December 31, 2024; and

(iii) the expected increase in the cost of production of packaging materials by Delong Color Printing and resulting expected increase in the purchase price to be charged by Delong Color Printing for supplying packaging materials to our Company (including taking into account the expected annual inflation in the PRC).

Listing Rules implications

In respect of the transactions under the Packaging Materials Supply Framework Agreement, as the highest applicable percentage ratio for each of the three years ending December 31, 2022, 2023 and 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the Board and various other internal departments of the Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;

- the Audit Committee under the Board, the Board and various other internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;

- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the continuing connected transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies, and are fair and reasonable in the interests of the Shareholders as a whole;

- when considering fees to be provided to the above connected persons by our Group, the Group will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties; and

- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

CONFIRMATION BY DIRECTORS

The Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transactions have been and will continue to be carried out in our ordinary and usual course of business of the Company and on normal commercial terms that are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Group, (ii) obtained necessary representations and confirmation from the Company and the Directors and (iii) participated in the due diligence and discussion with the management of the Company and the PRC Legal Advisors. Based on the above, the Joint Sponsors are of the view that the non-exempt continuing connected transactions have been and will continue to be carried out in the ordinary and usual course of business of the Company and on normal commercial terms that are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed annual caps of the non-exempt continuing connected transaction are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

WAIVERS GRANTED BY THE STOCK EXCHANGE

In respect of the continuing connected transactions as described above under the Packaging Materials Supply Framework Agreement, the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2024 are expected to be more than 5% on an annual basis. Accordingly, the continuing connected transactions under the Packaging Materials Supply Framework Agreement are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

As the above non-exempt continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and independent Shareholders' approval requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules in case of the Packaging Materials Supply Framework Agreement, provided that the total amount of transactions for each of the three years ending December 31, 2024 will not exceed the relevant proposed annual caps as set out above. The independent non-executive Directors and auditors of the Company will review whether the transactions under the non-exempt continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

OVERVIEW

The Board currently consists of nine Directors, including six executive Directors 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 Memorandum and Articles of Association.

The following tables set forth information regarding our Directors and senior management.

Directors and Senior Management

The table below sets forth certain information on our Directors:

Name	Age	Position	Major duties	Time of joining the Group	Date of appointment as Director	Relationship with other Directors and senior management
Executive Directors						
Mr. LIU Weiping (劉衛平)	44	Chairman of the Board and Executive Director	Providing leadership and governance of the Board, responsible for the overall business strategies of the Group and management of the Group; chairman of the nomination committee of the Board	Since establishment of the Group	July 6, 2018	Brother of Mr. LIU Fuping; Cousin of Mr. LIU Zhongsi
Mr. LIU Fuping (劉福平)	41	Executive Director and Vice Chairman of the Board	Responsible for assisting the Chairman with the governance of the Board and the overall business strategy management of the Group	Since establishment of the Group	July 6, 2018	Brother of Mr. LIU Weiping; Cousin of Mr. LIU Zhongsi
Mr. SUN Yinong (孫亦農)	53	Executive Director and Chief Executive Officer	Responsible for the formulation and implementation of the business strategy, operation plan and management system of our Group	September 2021	April 27, 2022	None
Mr. PENG Hongzhi (彭宏志)	40	Executive Director, Chief Financial Officer and Senior Vice-President	Responsible for overseeing the financial management and information technology management of the Group	October 2010	April 27, 2021	Cousin of Mr. LIU Zhongsi
Mr. LIU Zhongsi (劉忠思)	37	Executive Director and Senior Vice-President	Responsible for the overall research and development of our Group	July 2007	August 18, 2021	Cousin of Mr. LIU Weiping and Mr. LIU Fuping; cousin of Mr. PENG Hongzhi and Mr. CHEN Lin

Name	Age	Position	Major duties	Time of joining the Group	Date of appointment as Director	Relationship with other Directors and senior management
Mr. CHEN Lin (陳林)	36	Executive Director and Senior Vice-President	Responsible for the overall supply chain management and human resources administration of our Group; member of the remuneration committee of the Board	June 2009	April 27, 2021	Cousin of Mr. LIU Zhongsi
Independent Non-executive Directors						
Ms. XU Lili (徐黎黎)	41	Independent Non-executive Director	Providing independent opinion and judgment to the Board; member of the audit committee, nomination committee and remuneration committee of the Board	April 2021	April 27, 2021	None
Mr. ZHANG Bihong (張弼弘)	47	Independent Non-executive Director	Providing independent opinion and judgment to the Board; chairman of the audit committee of the Board; member of the nomination committee of the Board	April 2021	April 27, 2021	None
Ms. XING Dongmei (邢冬梅)	51	Independent Non-executive Director	Providing independent opinion and judgment to the Board; chairman of the remuneration committee of the Board; member of the audit committee of the Board	April 2021	April 27, 2021	None

Our senior management is responsible for the day-to-day management of our business. The following table below sets forth certain information on the senior management of the Company:

Name	Age	Position	Major duties	Time of joining the Group	Date of appointment as senior management	Relationship with other Directors and senior management
Mr. LIU Weiping (劉衛平)	44	Chairman of the Board and Executive Director	Responsible for the overall business strategies of the Group and management of the Group	Since establishment of the Group	April 27, 2021	Brother of Mr. LIU Fuping; Cousin of Mr. LIU Zhongsi
Mr. LIU Fuping (劉福平)	41	Executive Director and Vice Chairman of the Board	Responsible for assisting the Chairman with the governance of the Board and the overall business strategy management of the Group	Since establishment of the Group	April 27, 2021	Brother of Mr. LIU Weiping; Cousin of Mr. LIU Zhongsi

Name	Age	Position	Major duties	Time of joining the Group	Date of appointment as senior management	Relationship with other Directors and senior management
Mr. SUN Yinong (孫亦農)	53	Executive Director and Chief Executive Officer	Responsible for the formulation and implementation of the business strategy, operation plan and management system of our Group	September 2021	September 30, 2021	None
Mr. PENG Hongzhi (彭宏志)	40	Executive Director, Chief Financial Officer and Senior Vice-President	Responsible for overseeing the financial management and information technology management of the Group	October 2010	April 27, 2021	Cousin of Mr. LIU Zhongsi
Mr. LIU Zhongsi (劉忠思)	37	Executive Director and Senior Vice-President	Responsible for the overall research and development of our Group	July 2007	April 27, 2021	Cousin of Mr. LIU Weiping and Mr. LIU Fuping; cousin of Mr. PENG Hongzhi and Mr. CHEN Lin
Mr. CHEN Lin (陳林)	36	Executive Director and Senior Vice-President	Responsible for the overall supply chain management and human resources administration of our Group	June 2009	April 27, 2021	Cousin of Mr. LIU Zhongsi

DIRECTORS

Executive Directors

Mr. LIU Weiping (劉衛平), 44, is the Chairman and an Executive Director of the Company and holds directorships and senior management positions at various subsidiaries within the Group, including as the chairman of Weilong Commerce since July 2014.

Mr. Liu has over 20 years of experience in the snack foods industry. In 2001, Mr. Liu established Ping Ping Foods Factory (漯河市平平食品廠) (currently known as Ping Ping Foods) with Mr. LIU Fuping and served as the general manager of Ping Ping Foods Factory until September 2004. Mr. Liu also served as the general manager of Ping Ping Foods from September 2004 to November 2006 and the general manager of Zhumadian Ping Ping Foods from November 2006 to July 2014.

In July 2017, Mr. Liu graduated from Southwest University (西南大學) in Chongqing, the PRC where he majored in administration management through online courses.

Mr. LIU Fuping (劉福平), 41, is an Executive Director and the Vice Chairman of the Board of the Company. Mr. Liu holds directorships and senior management positions at various subsidiaries within the Group, including as the President of Weilong Commerce since July 2014.

Mr. Liu has over 20 years of experience in the snack foods industry. In 2001, Mr. Liu established Ping Ping Foods Factory (漯河市平平食品廠) (currently known as Ping Ping Foods) with Mr. LIU Weiping and served as the deputy general manager of Ping Ping Foods Factory until 2004. Mr. Liu also served as the deputy general manager of Ping Ping Foods from September 2004 to November 2006 and the deputy general manager of Zhumadian Ping Ping Foods from November 2006 to December 2011. From December 2011 to July 2014, Mr. Liu served as the general manager of Ping Ping Foods.

In July 2017, Mr. Liu graduated from Southwest University (西南大學) in Chongqing, the PRC where he majored in administration management through online courses.

Mr. SUN Yinong (孫亦農), aged 53, is the Executive Director and the Chief Executive Officer of the Company. Mr. Sun has over 20 years' experience in the food and beverages industry. From July 1999 to April 2016, he served various positions in Coca-Cola (China) Beverage Co., Ltd (可口可樂（中國）飲料有限公司) and Coca-Cola Enterprise Management (Shanghai) Co., Ltd (可口可樂企業管理（上海）有限公司), including the marketing general manager from October 2012 to August 2015 and the regional general manager from September 2015 to April 2016. Mr. Sun joined Xiamen Yinlu Foods Group Co., Ltd (廈門銀鷺食品集團有限公司) in May 2016 and served as the chief commercial officer, chief operating officer and chief executive officer consecutively till May 2021. From June 2021 to September 2021, he worked as a management consultant in Suzhou Aizhihui Management Consulting Co., Ltd (蘇州愛知匯管理諮詢有限公司). Mr. Sun joined our Group in September 2021 and served as the Special Assistant to the President of the Company till his appointment as our Chief Executive Officer in December 2021.

Mr. Sun received a bachelor's degree in electrical engineering and automation from Zhejiang University (浙江大學) in Hangzhou, the PRC in July 1991. He also obtained a master of business administration from China Europe International Business School (中歐國際工商學院) in September 2008.

Mr. PENG Hongzhi (彭宏志), 40, is an Executive Director, the Chief Financial Officer and Senior Vice-President of the Company and holds senior management positions at various subsidiaries within the Group, including as the director general of Weilong Commerce since June 2019.

Mr. Peng has over 10 years of experience in operational management. From March 2007 to June 2008, Mr. Peng served as an engineer in Beijing Aoshi Sports Timing Service Co., Ltd.. From October 2009 to September 2010, Mr. Peng served as an engineer in Guangdong Province Digital Guangdong Research Institute. From October 2010 to March 2013, he served as the assistant to the general manager of Ping Ping Foods. From April 2013 to April 2016, he served as the deputy general manager at Beijing Dermat Jiekang Technology Development Co., Ltd.. From May 2016 to May 2019, he served as the director and general manager at the Shenzhen Qianhai Xiangming Equity Investment Co., Ltd.. Since June 2019, he served as the operational director general of Weilong Commerce and is in charge of finances, IT and other management tasks.

Mr. Peng holds the qualification of senior project manager in information systems awarded by the Ministry of Human Resources and Social Security in May 2010. He was awarded the Changchun City Government Award by the Changchun City Government in 2007, the Outstanding Talents of Fangshan District in Beijing in 2013 and the Outstanding Young Talents in Beijing in 2015.

Mr. Peng received a bachelor's degree in geographical sciences from Hunan University of Science and Technology (湖南科技大學) in Xiangtan, the PRC in June 2005. He also received a master's degree in cartography and geographic information systems from Northeast Normal University (東北師範大學) in Changchun, the PRC in July 2008.

Mr. LIU Zhongsi (劉忠思), 37, is an Executive Director and Senior Vice-President of the Company, and has served various positions within the Group.

Mr. Liu has over 10 years of experience in the snack foods industry. From July 2007 to October 2008, he served as a food technology officer in Ping Ping Foods. From October 2008 to December 2009, he served as a plant manager in production in Zhumadian Weilai Foods. From December 2009 to December 2013, he served as a plant manager in production in Ping Ping Foods. From December 2013 to June 2020, he served as the director general of the technological research and development department at Ping Ping Foods. Since June 2020, Mr. Liu has served as the director general of the technological research and development department at Weilong Biotechnology.

Mr. Liu received the China Business Federation Science and Technology Award (中國商業聯合會科學技術獎) and the National Business Technology Progress Award (全國商業科技進步獎) from the China Business Federation in December 2017.

Mr. Liu received a bachelor's degree in sports education from Xiangnan University (湘南學院) in Chenzhou, the PRC in June 2007.

Mr. CHEN Lin (陳林), 36, is an Executive Director and Senior Vice-President of the Company and holds the office of director general of supply chain, procurement and manpower administration since March 2020.

Mr. Chen has over 10 years of experience in the snack foods industry. From June 2009 to March 2016, Mr. Chen served various roles in Ping Ping Foods, including management positions in the quality control department, research and development department, auditing department and production and sales department. Since 2016, Mr. Chen has served various positions in Weilong Commerce, including the production, sales and equipment manager, the deputy director general of the general production office and the supply chain deputy director general. Since March 2020, he has served as the director general of supply chain, procurement and human resource administration.

Mr. Chen graduated from Yueyang Foreign Trade Vocational Technical College (岳陽市外貿職業技術學校) in Yueyang, the PRC in July 2005.

Independent Non-Executive Directors

Ms. XU Lili (徐黎黎), aged 41, was appointed as an Independent Non-executive Director of the Company on April 27, 2021. Ms. Xu has more than 17 years of experience in financial leadership. She is now the chief financial officer of Cloudr Group Limited, a company listed on the Stock Exchange (stock code: 9955), which operates ClouDr (智雲健康), China's Largest SaaS-based Digital Chronic Condition Management Solution Provider. From March 2014 to September 2020, she was appointed as the chief financial officer and executive

director for Tongdao Liepin Group (同道獵聘集團), a company listed on the Stock Exchange (stock code: 6100). Prior to that, Ms. Xu held various positions at General Electric Company, a company listed on the New York Stock Exchange (stock code: GE), including as the chief financial officer of GE Power Generation Services China, from January 2005 to March 2014.

Ms. Xu currently serves as a director of MINISO Group Holding Ltd (名創優品集團控股有限公司), a company listed on the New York Stock Exchange (stock code: MNSO) and Yalla Group Limited, a company listed on the New York Stock Exchange (stock code: YALA).

Ms. Xu is a public accountant certified by the Board of Accountancy of Washington State of the United States since June 2012.

Ms. Xu received a bachelor's degree in international business from Nanjing University (南京大學) in Nanjing, the PRC in June 2003 and a master of science degree in local economic development from the London School of Economics and Political Science in the UK in November 2004.

Ms. Xu was a director of Nenghe (Tianjin) Enterprise Management Consulting Co. Ltd. (能禾(天津)企業管理諮詢有限公司) since its establishment in September 2017. It is a company established in the PRC which principally engaged in provision of enterprise management consultancy services before its cessation of business. As confirmed by Ms. Xu, during her tenure, as the said company had ceased business operation, its business license was revoked on June 17, 2021. Ms. Xu confirmed that (i) the said company was solvent immediately prior to the revocation of business license; (ii) there was no wrongful act on her part leading to revocation of business license of the said company; (iii) she is not aware of any actual or potential claim which has been or could potentially be made against her as a result of revocation of business license of the said company; and (iv) no misconduct or misfeasance had been involved on her part in the revocation of business license of the said company.

Mr. ZHANG Bihong (張弼弘), aged 47, was appointed as an Independent Non-executive Director on April 27, 2021.

Mr. Zhang has served as the deputy general manager responsible for the financial management of Jonjee Hi-Tech Industrial and Commercial Holding Co., Ltd. (中炬高新技術實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600872) since June 2021, and previously as the assistant to the chairman of the board from March 2019 to June 2021. He has also served as an independent non- executive director and chairman of the Audit Committee of Pujiang International Group Limited (浦江國際集團有限公司), a company listed on the Stock Exchange (stock code: 02060) since December 2016. He has also served as the investment relationship director of Honworld Group Limited (老恒和釀造有限公司), a company listed on the Stock Exchange (stock code: 2226) since June 2016, and previously as a non-executive director from December 2013 to June 2016. From January 2010 to April 2012, Mr. Zhang served as a director and the chief financial officer of Aoxin Tianli Group, Inc., (奧信天力集團有限公司) (a company currently known as Renmin Tianli Group, Inc., delisted from Nasdaq Stock Exchange).

Mr. Zhang has more than 25 years of experience in the areas of auditing and taxation. He served as a senior manager at Reanda Certified Public Accountants LLP (利安達會計師事務所) from October 2005 to July

2008. Mr. Zhang also served as a partner of Zhong Cheng Xin An Rui (Beijing) Certified Public Accountants LLP (中誠信安瑞（北京）會計師事務所) from August 2008 to October 2009.

Mr. Zhang is currently a certified tax agent in China as accredited by China Certified Tax Agents Association in June 2000. He is also a certified public accountant in China as accredited by the Chinese Institute of Certified Public Accountants in December 2003. He was a certified asset appraiser in China as accredited by the Ministry of Finance of the PRC in 2006.

Mr. Zhang graduated from the Forestry College of Inner Mongolia Agricultural College (內蒙古林學院) in Hohhot, the PRC with a diploma in economics (accounting) in July 1995.

Ms. XING Dongmei (邢冬梅), aged 51, was appointed as an Independent Non-executive Director of the Company on April 27, 2021. Ms. Xing joined East & Concord Partners (天達共和律師事務所) in July 2004 and currently serves as a senior partner and member of the management committee of the firm. She also works as an independent non-executive director of Yinhua Fund Management Co., Ltd. (銀華基金管理股份有限公司), AVIC Shenyang Aircraft Company Limited (中航沈飛股份有限公司), (a company listed on the Shanghai Stock Exchange (stock code: 600760) and Greatwall Wealth Asset Management Company (長城財富保險資產管理股份有限公司). Ms. Xing has over 25 years of experience in legal practice, focusing on legal service in banking and finance, securities and capital markets and corporate compliance. Before joining East & Concord Partners, Ms. Xing served as an associate at C&I Partners (信利律師事務所) (formerly known as China Legal Affairs Center (中國法律事務中心)) from June 1995 to July 2004, and as a legal assistant at China Legal Affairs Center from July 1994 to June 1995, during which time she advised on the first and second rounds of Chinese state-owned enterprises reform and the listing of such state-owned enterprises on the Stock Exchange.

Ms. Xing is currently an expert adviser on civil and administrative law cases of the Supreme People's Procuratorate of the PRC (最高人民檢察院民事行政案件諮詢專家). She has been selected for the third time as a legal expert adviser by the China Banking Association (中國銀行業協會法律專家庫成員).

Ms. Xing also takes an active role in terms of social responsibility. She serves as a vice president of Beijing Chaoyang Lawyers Association (北京市朝陽區律師協會), a director of Beijing Lawyers Association (北京市律師協會), and a supervisor of the Lead Foundation (北京立德未來公益基金會). She was also a representative at the 12th National Women's Congress of China (第十二屆中國婦女代表大會).

In 2019, Ms. Xing was awarded as an A-List elite lawyer (A-List法律精英) by China Business Law Journal, an Outstanding Lawyer by Chambers and Partners and an Outstanding Lawyer in banking and finance by Asialaw Profiles 2020. She was also recognized as one of the 2015 ALB China Top 15 Female Lawyers (2015中國15佳女律師) by Asian Legal Business in October 2015.

Ms. Xing received an bachelor of laws degree from China University of Political Science and Law (中國政法大學) in Beijing, the PRC in July 1994, and a master's degree in law from Peking University (北京大學) in Beijing, the PRC in July 2006.

SENIOR MANAGEMENT

Mr. LIU Weiping (劉衛平), 44, is an Executive Director and Chairman of the Board of the Company. See "– Directors" in this section for his biographical details.

Mr. LIU Fuping (劉福平), 41, is an Executive Director and the Vice Chairman of the Board of the Company. See "– Directors" in this section for his biographical details.

Mr. SUN Yinong (孫亦農), 53, is an Executive Director and Chief Executive Officer of the Company. See "–Directors" in this section for his biographical details.

Mr. PENG Hongzhi (彭宏志), 40, is an Executive Director, Chief Financial Officer and Senior Vice-President of the Company. See "– Directors" in this section for his biographical details.

Mr. LIU Zhongsi (劉忠思), 37, is an Executive Director and Senior Vice-President of the Company. See "– Directors" in this section for his biographical details.

Mr. CHEN Lin (陳林), 36, is an Executive Director and Senior Vice-President of the Company. See "– Directors" in this section for his biographical details.

JOINT COMPANY SECRETARIES

Ms. SHEN Xiaochun (沈曉春), aged 36, was appointed as a Joint Company Secretary of the Company on April 27, 2021. She joined our Group in October 2020 and has been responsible for investor relations management since then. In July 2021, she was appointed as our investor relations director. Prior to joining our Group, Ms. Shen served as a senior investor relations director of Zhejiang Panxing Information Technology Co., Ltd. (浙江盤興信息技術有限公司) from October 2019 to May 2020. From December 2016 to September 2019, she served as a senior investor relations manager of Comba Telecom Systems Holdings Limited (京信通信系統控股有限公司), a company listed on the Stock Exchange (stock code: 2342). Ms. Shen also served as an assistant to the chairman of the board and the secretary to the Board in Aoxin Tianli Group, Inc., (奧信天力集團有限公司) (a company currently known as Renmin Tianli Group, Inc., delisted from Nasdaq Stock Exchange) from January 2010 to December 2016. She also worked as the manager for the English department in Wuhan Sense Translation & Interpretation Co., Ltd. (武漢市聖士翻譯有限責任公司) from July 2007 to January 2010.

Ms. Shen obtained her bachelor of arts degree from Hubei University of Education (湖北第二師範學院) in Wuhan, the PRC in June 2007, and her master's degree in international banking and finance, partially through online course from the University of Salford in the UK in November 2019.

Ms. Shen received the Qualification Certificate of Board Secretary from Shanghai Stock Exchange in May 2017.

Mr. LI Kin Wai (李健威), aged 34, was appointed as a Joint Company Secretary of the Company on April 27, 2021. Mr. Li is a manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business corporate and investor services. He has over 10 years of experience in the corporate secretarial field.

Mr. Li is currently a joint company secretary of Sinco Pharmaceuticals Holdings Limited (興科蓉醫藥控股有限公司), a company listed on the Stock Exchange (stock code: 6833) and Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司), a company listed on the Stock Exchange (stock code: 0460), and the company secretary of Zhengye International Holdings Company Limited (正業國際控股有限公司), a company listed on the Stock Exchange (stock code: 3363).

Mr. Li is a Chartered Secretary and an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). He obtained a master's degree in corporate governance from The Open University of Hong Kong.

BOARD COMMITTEES

The Company has established three Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

The Audit Committee of the Company consists of three independent non-executive Directors of the Company, namely Mr. ZHANG Bihong, Ms. Xu Lili and Ms. XING Dongmei . Mr. ZHANG Bihong currently serves as the chairman of the Audit Committee. The primary duties of the Audit Committee are as follows:

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

2. to review the financial information and relevant disclosures of the Company;

3. to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;

4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium- to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;

5. to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

6. to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

7. to monitor the non-compliance of the Company in respect of the financial reports and the risk management and internal control; and

8. 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.

Nomination Committee

The Nomination Committee of the Company consists of our Chairman of the Board, namely Mr. LIU Weiping and two independent non-executive Directors, namely Ms. XU Lili and Mr. ZHANG Bihong. Mr. LIU Weiping currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are as follows:

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;

2. to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;

3. to preliminarily examine the eligibility of candidates for Directors and senior management;

4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and

5. 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

The Remuneration Committee of the Company consists of two independent non-executive Directors, namely Ms. XING Dongmei and Ms. XU Lili, and one executive Director, namely Mr. CHEN Lin. Ms. XING Dongmei currently serves as the chairlady of the Remuneration Committee. The primary duties of the Remuneration Committee are as follows:

1. to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and

2. 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 AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company offers the executive Directors and senior management, as its employees, with remuneration in the form of salaries, allowances, benefits in kind, performance-related bonuses, share-based payment,

pensions, and other social insurance benefits. Non-executive Director and Independent non-executive Directors receive compensation according to their duties (including serving as members or chairmen of the Board committees).

For the three years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, the aggregate remuneration before tax paid to our Directors was approximately RMB17,584,000, RMB18,794,000, RMB44,429,000 and RMB40,408,000, respectively. Under the arrangements currently in force, it is estimated that the aggregate amount of remuneration of our Directors (including of fees, salaries, discretionary bonuses, share-based payment expenses, pension plan contributions, welfare, medical and other expenses) for the year ending December 31, 2022 will be approximately RMB92,858,677.

The five highest paid individuals of the Group for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022 include two, two, four and five directors respectively, whose emoluments are included in the aggregate amount of fees, salaries, discretionary bonuses, share-based payment expenses, pension plan contributions, welfare, medical and other expenses we paid to the relevant Directors as set out above. For the financial years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, the aggregate amount of fees, salaries, discretionary bonuses, share-based payment expenses, pension plan contributions, welfare, medical and other expenses paid to the remaining three, three, one and nil individuals were RMB6,772,000, RMB6,456,000, RMB6,027,000 and nil, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period are set out in the Accountant's Report in Appendix I to this prospectus.

During the Track Record Period, none of the Directors waived any remuneration. Save as disclosed above, during the Track Record Period, there were no other payments paid or payable to our Directors or five highest paid individuals by the Company or any of its subsidiaries.

For the details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed "Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors' service contracts and appointment letters" in Appendix IV to this prospectus.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain diversity in our Board. 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 Nomination Committee is responsible for the implementation of our board diversity policy. Upon completion of the Listing, 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.

COMPLIANCE ADVISER

We have appointed Mont Avenir Capital Limited as our compliance adviser (the "**Compliance Adviser**") upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules. The material terms of the compliance advisor's agreement are as follows:

(i) Mont Avenir Capital Limited shall act as our compliance advisor for the purpose of Rule 3A.19 of the Hong Kong Listing Rules for a period commencing on the Listing Date 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 Listing Date, or until the agreement is terminated, whichever is earlier;

(ii) the compliance advisor will 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, rules, codes and guidelines;

(iii) the compliance advisor will, 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 and guidelines; and

(iv) the compliance advisor will act as one of the key channels of communication of the Company with the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option 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 is, 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 immediately before the Global Offering		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
Name of shareholder	**Nature of interest**	**Number**	**Percentage**	**Number**	**Percentage**
HH Global Capital[(1)(4)]	Beneficial Owner	1,904,243,183	84.45%	1,904,243,183	80.99%
Mr. LIU Weiping[(2)(3)(4)]	Beneficiary of trust	1,904,243,183	84.45%	1,904,243,183	80.99%
HH Green Philosophy[(2)(4)]	Beneficiary of trust	1,904,243,183	84.45%	1,904,243,183	80.99%
The Integrity Trust[(2)(4)]	Interest in controlled corporation	1,904,243,183	84.45%	1,904,243,183	80.99%
Adroit Fairy Limited[(2)(4)]	Interest in controlled corporation	1,904,243,183	84.45%	1,904,243,183	80.99%
Amused Town Limited[(2)(4)]	Interest in controlled corporation	1,904,243,183	84.45%	1,904,243,183	80.99%
The Core Trust Company Limited[(2)(3)(4)]	Trustee	1,904,243,183	84.45%	1,904,243,183	80.99%
Mr. LIU Fuping[(2)(3)(4)]	Beneficiary of trust	1,904,243,183	84.45%	1,904,243,183	80.99%
HH Innovation Group[(3)(4)]	Beneficiary of trust	1,904,243,183	84.45%	1,904,243,183	80.99%
The He He Trust[(3)(4)]	Interest in controlled corporation	1,904,243,183	84.45%	1,904,243,183	80.99%
Beacon Flash Limited[(3)(4)]	Interest in controlled corporation	1,904,243,183	84.45%	1,904,243,183	80.99%
Decision Stone Limited[(3)(4)]	Interest in controlled corporation	1,904,243,183	84.45%	1,904,243,183	80.99%

(1) As of the Latest Practicable Date, HH Global Capital directly held 1,904,243,183 shares in our Company.

(2) The Integrity Trust is a trust established for the benefit of HH Green Philosophy (a wholly-owned subsidiary of Mr. LIU Weiping) and HH Innovation Group (a wholly-owned subsidiary of Mr. LIU Fuping), with Mr. LIU Weiping and Mr. LIU Fuping acting as the protectors and The Core Trust Company Limited acting as the trustee. The Integrity Trust is interested in 95% of shareholding in HH Global Capital through two intermediary entities, namely Amused Town Limited and Adroit Fairy Limited.

(3) The He He Trust is a trust established for the benefit of HH Green Philosophy (a wholly-owned subsidiary of Mr. LIU Weiping) and HH Innovation Group (a wholly-owned subsidiary of Mr. LIU Fuping), with Mr. LIU Weiping and Mr. LIU Fuping acting as the protectors and The Core Trust Company Limited acting as the trustee. The He He Trust is interested in 5% of shareholding in HH Global Capital through two intermediary entities, namely Beacon Flash Limited and Decision Stone Limited.

(4) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. LIU Weiping and Mr. LIU Fuping, through their trust vehicles and various intermediary subsidiaries (including HH Global Capital, Amused Town Limited, Decision Stone Limited, Adroit Fairy Limited, Beacon Flash Limited, HH Green Philosophy and HH Innovation Group), will be collectively interested in approximately 80.99% of our enlarged issued share capital, thus they will remain as the group of our Controlling Shareholders. Accordingly, each of Mr. LIU Weiping, Mr. LIU Fuping, HH Green Philosophy, HH Innovation Group, the Integrity Trust, the He He Trust, Adroit Fairy Limited, Beacon Flash Limited, Amused Town Limited, Decision Stone Limited, The Core Trust Company Limited and HH Global Capital is deemed to be interested in the 1,904,243,183 Shares held by HH Global Capital for purpose of Part XV of the SFO.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have any 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 is, 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.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

	Aggregate nominal value of Shares (US$)
As of the Date of this Prospectus	
Authorized share capital	
5,000,000,000 Shares of US$0.00001 each	50,000
Issued share capital	
2,254,748,578 Shares of US$0.00001 each	22,547.49
Immediately after completion of the Global Offering	
Authorized Share capital	
5,000,000,000 Shares of US$0.00001 each	50,000
Shares to be issued under the Global Offering (assuming the Over-allotment Option is not exercised)	
96,397,000 Shares of US$0.00001 each	963.97
Total issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
2,351,145,578 Shares of US$0.00001 each	23,511.45578

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may be subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See "Summary of the Constitution of the Company and Cayman Islands Company Law – Summary of the Constitution of the Company – Articles of Association – Alteration of capital" in Appendix III for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering; and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "– General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "Statutory and General Information – A. Further Information about our Group – Resolutions of the Shareholders of Our Company dated November 25, 2022" in Appendix IV for further details.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information – A. Further Information about our Group – Repurchase of Our Own Securities" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

See the section headed "Statutory and General Information – A. Further Information about our Group – Repurchase of Our Own Securities" in Appendix IV for further details.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements ("**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below ("**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, for such number of Offer Shares at the Offer Price as set out in the tables below (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$10.40 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 55,386,200 Offer Shares, representing approximately 57.46% of the Offer Shares and approximately 2.36% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$10.90 per Offer Share, being the mid-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 52,845,400 Offer Shares, representing approximately 54.82% of the Offer Shares and approximately 2.25% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$11.40 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 50,527,800 Offer Shares, representing approximately 52.42% of the Offer Shares and approximately 2.15% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$9.36, being at 10% below the bottom end of the indicative Offer Price range set out in this prospectus after making a Downward Offer Price Adjustment, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 61,540,200 Shares, representing approximately 63.84% of the Offer Shares, and approximately 2.62% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience and market position, the Cornerstone Placing will help to raise the profile of our Company, and to signify that such investors have confidence in our Company's business and prospect. Our Company became acquainted with each of the Cornerstone Investors either through introduction by certain Underwriters in the Global Offering or through the business network of our Group.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue following the completion of the Global Offering and to be listed on the Stock Exchange, and will be counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules. Other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, the Cornerstone

Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial Shareholder (as defined in the Listing Rules) of our Company and will not have any Board representation in our Company. To the best knowledge of our Company, each of Cornerstone Investors (i) is an Independent Third Party and is not our connected person (as defined under the Listing Rules), (ii) is independent of other Cornerstone Investors, (iii) is not directly or indirectly financed by our Company, our subsidiaries, our Directors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective close associates, and (iv) is not accustomed to taking instructions from our Company, our subsidiaries, our Directors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them. There are no side agreements or arrangements between us and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing, as the date of this Prospectus none of the Cornerstone Investors or their shareholders are listed on any stock exchange and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment as each of them has general authority to invest.

If there is over-allocation in the International Offering, there may be delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. Sunshine Life Insurance Co., Ltd. ("**Sunshine Insurance**") and Prospect Bridge Value L.P. ("**Prospect Bridge**") have agreed that the Joint Global Coordinators may, in their sole discretion, defer the delivery of all or part of the Offer Shares that such Cornerstone Investors have subscribed for to a date later than the Listing Date. All of the Cornerstone Investors, including the aforesaid Cornerstone Investors who have agreed to a potential delayed delivery arrangement, have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Offer Shares commence on the Stock Exchange. The Offer Shares to be subscribed by the Cornerstone Investors may be affected by the reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation." Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around December 14, 2022.

The table below sets forth details of the Cornerstone Placing:

			Based on an Offer Price of HK$10.40 (being the low-end of the Offer Price range)				
				Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
Cornerstone Investor	**Subscription amount (unless otherwise specified, including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee)**	**Hong Kong dollar equivalent**	**Number of Offer Shares[1]**	**Approximate % of the Offer Shares**	**Approximate % of the issued share capital[2]**	**Approximate % of the Offer Shares**	**Approximate % of the issued share capital[2]**
Media Global Management Limited ("**Media Global**")	US$31.0 million	242.3 million	23,059,000	23.92%	0.98%	20.80%	0.97%
Sunshine Insurance	US$30.0 million (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee)	234.4 million	22,542,400	23.38%	0.96%	20.33%	0.95%
Prospect Bridge	HK$102.8 million	102.8 million	9,784,800	10.15%	0.42%	8.83%	0.41%
Total		579.5 million	55,386,200	57.46%	2.36%	49.96%	2.34%

			Based on an Offer Price of HK 10.90 (being the mid-end of the Offer Price range)				
				Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
Cornerstone Investor	**Subscription amount (unless otherwise specified, including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee)**	**Hong Kong dollar equivalent**	**Number of Offer Shares[1]**	**Approximate % of the Offer Shares**	**Approximate % of the issued share capital[2]**	**Approximate % of the Offer Shares**	**Approximate % of the issued share capital[2]**
Media Global	US$31.0 million	242.3 million	22,001,200	22.82%	0.94%	19.85%	0.93%
Sunshine Insurance	US$30.0 million (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee)	234.4 million	21,508,200	22.31%	0.91%	19.40%	0.91%
Prospect Bridge	HK$102.8 million	102.8 million	9,336,000	9.68%	0.40%	8.42%	0.39%
Total		579.5 million	52,845,400	54.82%	2.25%	47.67%	2.23%

			Based on an Offer Price of HK$11.40 (being the high-end of the Offer Price range)				
				Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
Cornerstone Investor	**Subscription amount (unless otherwise specified, including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee)**	**Hong Kong dollar equivalent**	**Number of Offer Shares[1]**	**Approximate % of the Offer Shares**	**Approximate % of the issued share capital[2]**	**Approximate % of the Offer Shares**	**Approximate % of the issued share capital[2]**
Media Global	US$31.0 million	242.3 million	21,036,200	21.82%	0.89%	18.98%	0.89%
Sunshine Insurance	US$30.0 million (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee)	234.4 million	20,565,000	21.33%	0.87%	18.55%	0.87%
Prospect Bridge	HK$102.8 million	102.8 million	8,926,600	9.26%	0.38%	8.05%	0.38%
Total		579.5 million	50,527,800	52.42%	2.15%	45.58%	2.14%

			Based on an Offer Price of HK$9.36 (being at 10% below the low-end of the Offer Price range after making a Downward Offer Price Adjustment)				
				Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
Cornerstone Investor	**Subscription amount (unless otherwise specified, including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee)**	**Hong Kong dollar equivalent**	**Number of Offer Shares[(1)]**	**Approximate % of the Offer Shares**	**Approximate % of the issued share capital[(2)]**	**Approximate % of the Offer Shares**	**Approximate % of the issued share capital[(2)]**
Media Global	US$31.0 million	242.3 million	25,621,000	26.58%	1.09%	23.11%	1.08%
Sunshine Insurance	US$30.0 million (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee)	234.4 million	25,047,000	25.98%	1.07%	22.59%	1.06%
Prospect Bridge	HK$102.8 million	102.8 million	10,872,200	11.28%	0.46%	9.81%	0.46%
Total		579.5 million	61,540,200	63.84%	2.62%	55.51%	2.60%

Notes:

(1) Subject to rounding down to the nearest whole board lot of 200 Shares. Calculated based on the exchange rate set out in the section headed "Information about this Prospectus and the Global Offering – Currency Translations."

(2) Immediately following the completion of the Global Offering.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

1. Media Global

Media Global is an investment holding company incorporated in the BVI on January 5, 2015. It is ultimately controlled by Mr. Jiang Nanchun (江南春), who is an Independent Third Party and the founder and chairman of Focus Media Information Technology Co., Ltd. (分眾傳媒信息技術股份有限公司) ("**Focus Media**"), a company listed on the Shenzhen Stock Exchange (stock code:002027.SZ). Focus Media is one of our suppliers

and we mainly procure elevator advertising services from Focus Media in our ordinary course of business on normal commercial terms after arm's length negotiations.

2. Sunshine Insurance

Sunshine Insurance is principally engaged in various insurance business and securities investment funds trading business and is a company limited by shares incorporated under the laws of PRC. Sunshine Insurance is owned as to 99.9999% by Sunshine Insurance Group Co., Ltd., of which none of its shareholders holds more than one-third of its equity interest, and as to 0.0001% by Lhasa Huiju Enterprise Management Consulting Co., Ltd. (拉薩市慧聚企業管理諮詢有限公司), a company ultimately controlled by Mr. Song Ning, being an Independent Third Party, respectively.

3. Prospect Bridge

Prospect Bridge is a limited partnership incorporated in the BVI on August 17, 2021, which pursues an investment strategy focused on the consumption-related industry starting from its investment in our Company. Prospect Bridge is managed by its general partner, Prospect Bridge Limited, which is owned as 50% by Mr. Cheng Huan and 50% by Ms. Zhou Xiaole, each an Independent Third Party. Mr. Cheng and Ms. Zhou have extensive experience in finance and investment, with investment experience in various sectors including consumption-related industry.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

a. the Hong Kong Underwriting Agreement and the International Underwriting Agreement for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;

b. the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the underwriters of the Global Offering);

c. the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Offer Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

d. no applicable laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the

respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

e. the representations, warranties, undertakings, confirmations and acknowledgements of such Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly- owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

You should read the following discussion and analysis together with our historical financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this prospectus. 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."

OVERVIEW

We are a leading spicy snack food company in China with strong growth momentum and an influential brand. According to Frost & Sullivan, in terms of retail sales value in 2021, we ranked first among all spicy snack food enterprises in China, with a market share of 6.2%, and ranked first in each of the seasoned flour product and spicy vegetable snack product categories. Weilong is a popular snack food brand among young consumers in China. To fulfill our mission "to let the world fall in love with Chinese flavors", we are committed to making authentic Chinese gourmet more entertaining, casual, convenient and affordable, and to introducing more spicy snack food products that offer consumers a cheerful consumption experience.

We have a diversified spicy snack food product portfolio, covering seasoned flour products, vegetable products and bean-based and other products. The first two product categories account for most of our revenue.

We recorded rapid growth in revenue and outstanding profitability from 2019 to 2021. In 2019, 2020, 2021, and the six months ended June 30, 2021 and 2022, our total revenue reached RMB3,384.8 million, RMB4,120.4 million, RMB4,800.2 million, RMB2,302.8 million and RMB2,260.5 million, respectively, while our net profit was RMB658.1 million, RMB818.8 million, RMB826.7 million, RMB357.6 million and a net loss of RMB260.8 million, respectively, and our net profit margin was 19.4%, 19.9%, 17.2%, 15.5% in 2019, 2020, 2021 and the six months ended June 30, 2021 and our net loss margin was 11.5% in the six months ended June 30, 2022. Our adjusted net profit (Non-IFRS measure) amounted to RMB659.0 million, RMB821.2 million, RMB907.8 million, RMB379.6 million and RMB424.9 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, and our adjusted net profit margin (Non-IFRS measure) was 19.5%, 19.9%, 18.9%, 16.5% and 18.8% during those periods, respectively.

IMPACT OF COVID-19 AND COMPANY'S RECENT DEVELOPMENT

Impacts of the COVID-19 Outbreak

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, China, together with other countries and

regions across the world, has taken various measures to contain the spread of the virus. In the first half of 2022, there had been large-scale resurgence of COVID-19, including the highly transmissible Delta and Omicron variant in various provinces across China (the "Resurgence"). Since June 30, 2022 and up to the Latest Practicable Date, there have been sporadic regional outbreaks, mainly in relation to the highly transmissible Omicron variant in various provinces across China as well (the "Regional Resurgence".)

Impacts on our production. Although there was no suspension of operations at our production plants, our production capacity was affected in April 2022 primarily due to higher absence rate of work staff. Our production was not materially affected by the Regional Resurgence since June 30, 2022 and up to the Latest Practicable Date.

Impacts on our supply chain. Our supply chain was also, to a certain extent, impacted. As we have maintained long term relationship with nationwide suppliers, such impacts on our raw material procurement were limited. We have also taken additional measures including procuring from back-up suppliers, applying for transportation pass, designating specialized coordinator, and utilizing self-owned vehicles to pick up goods, to minimize the negative impact on our raw material procurement. We have not encountered any shortage of raw materials.

Impacts on our product delivery. Some of our product deliveries were delayed in relation to the Resurgence and the Regional Resurgence. During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes, litigation, or legal proceedings for not being able to fulfill our orders resulting from COVID-19 outbreak which would have a material adverse effect on our business.

We prioritize the health conditions of our employees in all our business operations. In response to the COVID-19 outbreak, we have employed various measures to mitigate the impact of the COVID-19 outbreak on our business operations, such as (i) organizing shuttle buses for our staff and monitoring them closely to track their health and wellness status; (ii) increasing salaries for certain production workers to alleviate their financial difficulties, which also helped us retain a steady workforce; and (iii) increasing our sales and marketing efforts on online channels that are catered to the evolving consumption habits and preferences. In response to the Resurgence, we have employed measures including (i) conducting routine sanitization; (ii) requiring regular negative COVID-19 PCR result; (iii) providing preventive gears such as masks, gloves, and medicines; and (iv) designating separate venue for quarantine purposes.

There is no guarantee that the prolonged pandemic will not affect the demands for our products and our operations in the future. Should China experience a further outbreak, our business operation may be impacted. Our results of operations and financial position will be affected by the future development of COVID-19, including its local and global severity and actions taken to contain it, which are highly uncertain and unpredictable.

See "Risk Factors – Risks relating to Our Business and Industry – The outbreak of COVID-19 adversely affected, and may continue to affect, the demand for our products, our business operations and financial conditions." As of the Latest Practicable Date, our business operations and financial conditions were not materially impacted by the COVID-19 outbreak.

Recent Developments

Our business operations and financial results remained relatively stable since June 30, 2022, while we observed a slight decrease in sales for the ten months ended October 31, 2022 compared with that of the same period in 2021, primarily due to (i) the regional resurgences of COVID-19 in certain parts of China; and (ii) the price adjustment resulted from our recent product upgrade in our major product categories in the first half of 2022. See "Financial Information – RESULTS OF OPERATIONS – The six months ended June 30 2022 compared to the six months ended June 30, 2021." Leveraging our strong brand awareness, broad customer base and efficient supply chain management, we do not expect that COVID-19 and price adjustment would materially and adversely impact our results of operations and profit margins in 2022.

Our profit for the year in 2022 is expected to decrease substantially mainly due to the share-based payments related to Pre-IPO Investments in relation to the supplemental agreement of share purchase agreement our Company entered into with certain Pre-IPO investors, pursuant to which our Company issued and sold to these investors a total number of 157,626,890 ordinary shares, at a par value of US$0.00001 of each share, for a consideration of US$1,576.2689 in April 2022.

Certain production lines of our Luohe Xinglin Plant have been put into operation for tests and trials since May 2022. In addition, in March 2022, we entered into a land use right transfer agreement for a parcel of land with an area of 139,496.00 sq.m. with the local government in Yunnan Province. In September 2022, we entered into a land use right transfer agreement for a parcel of land with an area of 17,399.00 sq.m. with the local government in Yunnan Province. As of the Latest Practicable Date, we had paid the full consideration of the land use right to the local government and had obtained a land ownership certificate for such land which will be used for our Yunnan Qujing Plant.

As the leader in spicy snack industry with accumulated industry experience, expertise and advanced level of R&D, we worked with the CIFST and other academic institutes and associations in drafting the Industry Standards for Seasoned Flour Products (QB/T 5729-2022), which was promulgated by the Ministry of Industry and Information Technology on April 24, 2022 and came into effect on October 1, 2022. In July 2022, we assisted the CIFST to host a seminar discussing the abovementioned industry standards, which provided guidance for the development of the industry in the long term. The new standard will significantly reduce the number of varieties of food additives and lower the content of salt and oil in seasoned flour products, and is expected to raise entry barriers to the players in the industry. Leading players with higher operating standards could benefit from the rising industry standard and gain more market share in the future.

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 prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022, being the end date of the periods reported on in the Accountant's Report in Appendix I to this prospectus, and there is no event since June 30, 2022 that would materially affect the information as set out in the Accountant's Report in Appendix I to this prospectus.

BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"). The Historical

Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through profit or loss.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4 of Appendix I to this prospectus.

All effective standards, amendments to standards and interpretations, including IFRS 9 Financial Instruments ("IFRS 9") and IFRS 15 Revenue from Contracts with Customers ("IFRS 15") which are mandatory for the financial year beginning January 1, 2018 and IFRS 16 Leases ("IFRS 16") which is mandatory for the financial year beginning January 1, 2019, are consistently applied to our Group throughout the Track Record Period.

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:

Consumer Demand

We are a leading spicy snack food company committed to turning authentic Chinese gourmet into casual snack food that consumers can enjoy anywhere and anytime. Our results of operations are largely depended on consumer demand for snack foods with authentic Chinese flavor, which is affected by the evolving consumers' preferences and tastes. According to Frost & Sullivan, demand from young Chinese consumers for snack food products has been growing continuously during the past five years. From 2016 to 2021, the spicy snack food market in China in which we operated grew at a CAGR of 8.7%, which was higher than the CAGR of 6.1% for the snack food market. For more details, see "Industry Overview – Overview of China's Snack Food Industry."

Our business depends on our deep understanding of evolving consumer preferences. Consumer preferences may shift due to a variety of factors, including changes of dietary habits, pace of life and consumption trends. As a leading brand in the spicy snack food industry in China, our strong research and development capabilities have enabled us to continuously launch entertaining, casual, convenient and affordable snack food products with considerable popularity.

We believe that our continuous deep focus on consumers' demand has helped us attract and retain a loyal group of consumers and position us as a renowned spicy snack food company in China and is critical to our ability to further grow our business.

Product Mix

With our commitment of turning authentic Chinese gourmet into casual snack food, we continue to expand our product mix. Our present product mix primarily includes seasoned flour products, vegetable products, and bean-

based and other products. Under each product category, we sell products with different flavors or package sizes to satisfy various consumer demands. See "Business – Our Brand and Products." Typically, different products vary in retail prices, raw materials, package formats and sales channels and thus have different gross margins. In addition, our seasoned flour products are further classified into classic packaging and premium packaging products in order to implement our product positioning and business strategies. Each of our products has its own unique positioning with different marketing strategies and promotional costs. As a result, our revenue and profitability are largely affected by our product mix.

We believe that our increasingly diverse product mix enables us to respond to changing market conditions and consumer preferences quickly. We have been optimizing our product mix in an effort to facilitate our revenue and profitability. For example, our newly-launched vegetable products gained wide attraction in the market and fueled our revenue and profit growth during the Track Record Period.

The table below sets forth our revenue and gross profit margins of our key product categories during the Track Record Period.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue (RMB'000)	Gross margin(%)	Revenue (RMB'000)	Gross margin(%)	Revenue (RMB'000)	Gross margin(%)	Revenue (RMB'000)	Gross margin (%)	Revenue (RMB'000)	Gross margin(%)
							(unaudited)			
Seasoned flour products	2,474,574	37.2	2,690,287	37.6	2,918,039	35.9	1,401,128	35.3	1,341,422	34.8
Vegetable products	664,959	37.2	1,167,541	39.3	1,664,120	39.9	792,962	39.3	817,624	43.2
Bean-based and other products	245,233	35.4	262,529	36.3	218,041	37.9	108,752	40.7	101,483	40.4
Total	**3,384,766**	**37.1**	**4,120,357**	**38.0**	**4,800,200**	**37.4**	**2,302,842**	**36.9**	**2,260,529**	**38.1**

Also see "– Description of Major Components of Our Results of Operations – Gross Profit."

Distribution Network

We have established a nationwide sales and distribution network by fully integrating our online and offline resources in order to ensure consumers' easy access to our products and distribution.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we generated 92.6%, 90.7%, 88.5%, 88.3% and 89.4% of our revenue from our offline distributors, respectively. We have a nationwide offline sales and distribution network that deeply penetrates the Chinese market. As of June 30, 2022, we cooperated with more than 1,830 offline distributors and our distributors' sales network covered approximately 735,000 retail points of sale in China, with significant potential for future channel expansion. During the Track Record Period, we significantly expanded the coverage of our distribution network on a nationwide basis and further upgraded the structure of our sales channels from traditional channels, towards modern channels, such as national or regional hypermarkets, supermarkets and chained convenience stores.

We benefit from our well-established business relationships with our distributors. We regularly conduct evaluations on our distributors' performance, such as requesting for submission of inventory level and sales reports. With our proprietary sales management system, we are able to more effectively monitor our distributors and the inventory level and sales situations at retail points of sale. See "Business – Our Sales Channel."

In addition, as an essential complement to our offline distributors, our products are available and sold to consumers on a growing number of e-commerce platforms to adapt to changing consuming trends. During the Track Record Period, we gradually increased efforts on our self-operated online stores for better control of online sales and got familiar with online consumers' demand on an independent basis. Our revenue from online distribution increased by 60.2% from RMB144.0 million in 2019 to RMB230.7 million in 2020 and further increased by 31.0% to RMB302.3 million in 2021, and decreased by 23.3% from RMB153.6 million in the six months ended June 30, 2021 to RMB117.9 million in the six months ended June 30, 2022. Our revenue from online direct sales increased by 41.5% from RMB106.8 million in 2019 to RMB151.1 million in 2020 and further increased by 66.4% to RMB251.5 million in 2021, and increased by 5.8% from RMB114.8 million in the six months ended June 30, 2021 to RMB121.5 million in the six months ended June 30, 2022.

We believe our ability to grow our business will depend on whether we can continue to expand our sales and distribution network to connect with more consumers and to provide them easy access to our products.

Costs of Raw Materials and Packaging Materials

We have exposure to fluctuations in the prices of raw materials and packaging materials, each of which may have impact on our cost of sales of goods or distribution expenses. Increased costs or distribution expenses will reduce our profit margins if we are unable to pass on these additional costs from our customers through higher prices.

The main raw materials used in our products are soybean oil, flour and konjac. In addition to these inputs into our products, delivery of our products to distributors requires extensive use of packaging materials, such as cardboard boxes and packaging bags. The price of most of our raw materials and packaging materials generally fluctuates according to the market conditions such as movement of global oil price and the COVID-19 impact. We have not entered into any hedging activities in relation to their prices. However, we monitor the supply and cost trends of these raw materials and packaging materials and have sought to mitigate the impact of price fluctuations to us. For example, as the supply of certain raw materials are seasonal, we usually purchase these raw materials in advance from their places of origin during their harvest season according to our scheduled production plans and expected customer demand.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, the cost of raw materials accounted for 29.8%, 27.8%, 29.8%, 30.2% and 30.7% of our total revenue, respectively, and the cost of packaging materials accounted for 14.7%, 13.5%, 14.0%, 14.1% and 12.9% of our total revenue, respectively.

Our ability to further increase our production capacity

During the Track Record Period, the utilization rate at each of our four production plants fluctuated, as a result of changes in the actual production volume at each of our production plants, which corresponds to changes in market demand and gradual increases in our designed production volume. Our ability to further increase our production capacity is critical to supporting our stable and continuous business growth, which involves additional costs and uncertainties. For example, revenue from our kelp products increased significantly in 2020 and 2021, primarily because we expanded the production lines for such products. In addition, to manage and strengthen our production capacity, we plan to build new production plants, upgrade our existing production equipment, develop

more production lines and improve our production process. See "Future Plans and Use of Proceeds." In all, our revenue and results of operations in the future may rely on our ability to further increase our production capacity to cater for the market demand. See "Business – Our Production."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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. See notes 2 and 3 of Appendix I to this prospectus for details of the critical accounting policies, estimates, assumptions and judgments involved in the preparation of our financial statements.

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods 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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. No significant element of financing is deemed present as the sales are made with a prepayment or a credit term up to 90 days, which is consistent with market practice.

Sale of goods

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally upon the acceptance of the goods. The costs of transporting finished goods to a customer are recognized in distribution and selling expenses when occurred.

Some contracts for the sale of goods provide customers with rights of return, volume rebates and trade incentive. The rights of return, volume discounts and trade incentive give rise to variable consideration.

Rights of return

For contracts which provide a customer with a right of return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which our Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a liability is recognized. A right of return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Variable consideration: volume discounts

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Trade incentive – co-advertising services

We may enter into agreements with our customers in relation to product advertising and promotion, under which the customers will be entitled to an advertising allowance. If no distinct service can be identified, the amounts due by us to our customers would be deducted from revenue.

Contract liabilities

A contract liability is recognized when a payment is received, or a payment is due (whichever is earlier) from a customer before we transfer the related goods. Contract liabilities are recognized as revenue when we satisfied the performance obligation under the contract (i.e., transfers control of the related goods to the customer).

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where our Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where our Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Investments and other financial assets

Classification

Our Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on our business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether our Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

We reclassify debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which our Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and our Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at financial assets at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

We measure fair values of financial instruments using the following fair value hierarchy that reflects the observability and significance of the inputs used in making the measurements:

- **Level 1**: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by us is the current bid price;

- **Level 2**: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2; and

- **Level 3**: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of December 31, 2019, 2020, 2021 and June 30, 2022, our wealth management products, structured deposits and investment in fund management products were measured at fair value using level 3 inputs. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including the use of quoted market prices or dealer quotes for similar instruments, and the discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate. For details, see note 3.3 to the Accountant's Report in Appendix I to this prospectus.

Debt instruments

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which our Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

Our Group subsequently measures all equity investments at fair value. Where our management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when our Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

Our Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, impairment is measured as lifetime expected loss.

For other receivables, impairment is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation less impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for a separate asset is de-recognized when replaced. All other repairs and maintenance are charged to the consolidated statements of profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line depreciation method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

(i) Buildings: 20 years;

(ii) Machinery: 10 years;

(iii) Vehicles: three-five years;

(iv) Furniture and office equipment: five years;

(v) Electronic equipment: three years; and

(vi) Building improvement and decoration: three years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See note 2.9 of Appendix I of this prospectus.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/(losses), net" in the statement of profit or loss.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Revenue from contracts with customers	3,384,766	4,120,357	4,800,200	2,302,842	2,260,529
Cost of sales of goods	(2,130,463)	(2,554,692)	(3,007,169)	(1,453,138)	(1,398,981)
Gross profit	1,254,303	1,565,665	1,793,031	849,704	861,548
Distribution and selling expenses	(281,265)	(370,975)	(520,613)	(262,610)	(269,487)
Administrative expenses	(138,204)	(201,096)	(359,110)	(140,446)	(220,704)
Net impairment (losses)/gains on financial assets	—	(600)	(303)	—	343
Other income, net	35,148	58,841	152,666	16,221	59,909
Other (losses)/gains, net	(1,744)	31,427	11,715	2,490	(598,655)
Operating profit/(loss)	868,238	1,083,262	1,077,386	465,359	(167,046)
Finance income	107	481	24,782	7,865	31,704
Finance costs	(3,215)	(5,785)	(5,536)	(1,967)	(7,971)
Finance (costs)/income, net	(3,108)	(5,304)	19,246	5,898	23,733
Share of net profit of associate accounted for using the equity method	1,378	379	—	—	—
Profit/(loss) before income tax	866,508	1,078,337	1,096,632	471,257	(143,313)
Income tax expense	(208,409)	(259,573)	(269,903)	(113,671)	(117,517)
Profit/(loss) for the year/period	658,099	818,764	826,729	357,586	(260,830)

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit (Non-IFRS measure) as additional financial measure, which is not required by, or presented in accordance with IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it helped our management. However, our

presentation of adjusted net profit (Non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure 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 net profit (Non-IFRS measure) as net profit/(loss) for the year/period adjusted by adding back share-based payment expenses and listing expenses. The following table reconciles our adjusted net profit (Non-IFRS measure) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which is net profit for the period:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Reconciliation of net profit/(loss) to adjusted net profit (Non-IFRS measure)					
Profit/(loss) for the year/period	658,099	818,764	826,729	357,586	(260,830)
Add:					
Share-based payment to employees (1)	—	—	50,519	8,308	49,107
Listing expenses (2)	905	2,457	30,502	13,750	7,804
Share-based payments related to Pre-IPO Investments (3)	—	—	—	—	628,811
Adjusted net profit (Non-IFRS measure) (4)	**659,004**	**821,221**	**907,750**	**379,644**	**424,892**

(1) Share-based payment to employees, which is non-cash in nature mainly represent the arrangement that we receive services from employees as consideration for our equity instruments.

(2) Listing expenses mainly relate to the Global Offering.

(3) Share-based payments related to Pre-IPO Investments refer to the supplemental agreement of share purchase agreement our Company entered into with certain Pre-IPO investors, pursuant to which our Company issued and sold to these investors a total number of 157,626,890 ordinary shares, at a par value of US$0.00001 of each share, for a consideration of US$1,576.2689 in April 2022.

Revenue

Revenue by product

During the Track Record Period, our revenue was primarily derived from the sales of seasoned flour products and vegetables products. The table below sets forth a breakdown of our revenue by product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Seasoned flour products	2,474,574	73.1	2,690,287	65.3	2,918,039	60.8	1,401,128	60.9	1,341,422	59.3
– premium-packaging products	1,272,401	37.6	1,423,713	34.6	1,592,659	33.2	729,842	31.7	780,306	34.5
– classic-packaging products	1,202,173	35.5	1,266,574	30.7	1,325,380	27.6	671,286	29.2	561,116	24.8
Vegetable products	664,959	19.6	1,167,541	28.3	1,664,120	34.7	792,962	34.4	817,624	36.2
Bean-based and other products	245,233	7.3	262,529	6.4	218,041	4.5	108,752	4.7	101,483	4.5
Total	**3,384,766**	**100.0**	**4,120,357**	**100.0**	**4,800,200**	**100.0**	**2,302,842**	**100.0**	**2,260,529**	**100.0**

Our total revenue showed an increasing trend from 2019 to 2021 and slightly decreased in the six months ended June 30, 2022 compared with that of the same period in 2021. Revenue from our seasoned flour products increased by 8.7% from RMB2,474.6 million in 2019 to RMB2,690.3 million in 2020 and further increased by 8.5% to RMB2,918.0 million in 2021, primarily due to (i) increasing market demand as a result of greater recognition among consumers; (ii) our expansion of distribution network with the number of counties that our distribution network covered increased from 513 as of December 31, 2019 to 584 as of December 31, 2020 and further increased to 623 as of December 31, 2021. Revenue generated from our seasoned flour products decreased by 4.3% from RMB1,401.1 million in the six months ended June 30, 2021 to RMB1,341.4 million in the six months ended June 30, 2022, primarily due to (i) the impact on our production and delivery from the COVID-19 Resurgence, and (ii) the temporary impact on sales volume due to the price adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to. Revenue from the sales of premium packaging products, both in the absolute amount and as a percentage of total revenue, was higher than that from the sales of classic packaging products during the Track Record Period. Revenue from our seasoned flour products as a percentage of our total revenue decreased from 73.1% in 2019 to 65.3% in 2020 and further to 60.8% in 2021, and decreased from 60.9% during the six months ended June 30, 2021 to 59.3% during the same period in 2022, reflecting our more diversified product mix following the significant growth of the sales volume of vegetable products. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue from our vegetable products accounted for 19.6%, 28.3%, 34.7%, 34.4% and 36.2% of our total revenue, respectively. Our revenue from vegetable products grew both in absolute amount and as a percentage of our total revenue in 2019, 2020, and 2021, and from the six months ended June 30, 2021 to the same period in 2022, as the market demand for such products increased and we continued to expand our production capacity for such products during the same periods.

The table below sets forth a breakdown of our sales volume and average selling price per kg by product category for the periods indicated:

		Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
Seasoned flour products	ton	173,296.0	179,511.4	193,598.6	94,669.9	81,588.7
	RMB/kg	14.3	15.0	15.1	14.8	16.4
Vegetable products	ton	24,130.1	41,585.4	60,699.3	29,003.5	27,861.4
	RMB/kg	27.6	28.1	27.4	27.3	29.3
Bean-based and other products	ton	11,378.9	10,161.0	7,212.7	3,665.8	2,943.4
	RMB/kg	21.6	25.8	30.2	29.7	34.4

Our sales volume of the seasoned flour products showed an increasing trend from 2019 to 2021 and decreased from the six months ended June 30, 2021 to the six months ended June 30, 2022. The sales volume of our seasoned flour products was generally in line with its revenue scales during the Track Record Period. The continued increases in the sales volume of our seasoned flour products from 2019 to 2021 were attributable to a combination of (i) our enhanced product and brand recognition; and (ii) an expansion of our distribution network across China with the number of counties that our distribution network covered increased from 513 as of December 31, 2019 to 584 as of December 31, 2020 to 623 as of December 31, 2021, and the decrease in sales volume of our seasoned flour products from the six months ended June 30, 2021 to the six months ended June 30, 2022 was primarily in relation to (i) the impact on our production and delivery from the Resurgence of COVID-

19, and (ii) the temporary impact due to the price adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to.

Our sales volume of the vegetable products showed an increasing trend from 2019 to 2021 and decreased from the six months ended June 30, 2021 to the six months ended June 30, 2022. The increase in the sales volume of our vegetable products from 2019 to 2021, which was generally in line with the increase in its revenue scales during the same period, was mainly the results of (i) an increase in the market demand for such products; (ii) an expansion of our distribution network and an increase of distribution coverage of such products; and (iii) an increase in our production capacity for such products with the designed production capacity for vegetable products increased from 24,756.2 tons in 2019 to 45,936.0 tons in 2020 and further increased to 79,992.0 tons in 2021, and the decrease in sales volume of our vegetable products from the six months ended June 30, 2021 to the six month ended June 30, 2022 was primarily in relation to (i) the impact on our production and delivery from the Resurgence of COVID-19, and (ii) the temporary impact due to the price adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to. See "Business – Our Sales Channel – Offline Channels."

The decrease in the sales volume of our bean-based and other products from 2019 to 2021 was mainly because (i) we adopted a new packaging design for our bean-based products, and it took time for consumers to become familiar with our new design, and (ii) we discontinued certain such products to optimize the product mix and from the six months ended June 30, 2021 to the six months ended June 30, 2022 primarily due to (i) the impact on our production and delivery from the COVID-19 Resurgence, and (ii) our optimization of marketing resource allocation which reduced marketing activities for certain of our bean based and other products.

Revenue by sales channel

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

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Offline channels	3,133,928	92.6	3,738,582	90.7	4,246,420	88.5	2,034,446	88.3	2,021,169	89.4
Online channels	250,838	7.4	381,775	9.3	553,780	11.5	268,396	11.7	239,360	10.6
– Online distribution	144,034	4.2	230,677	5.6	302,289	6.3	153,590	6.7	117,861	5.2
– Online direct sales	106,804	3.2	151,098	3.7	251,491	5.2	114,806	5.0	121,499	5.4
Total	**3,384,766**	**100.0**	**4,120,357**	**100.0**	**4,800,200**	**100.0**	**2,302,842**	**100.0**	**2,260,529**	**100.0**

During the Track Record Period, we generated revenue from offline channels and online channels (including online distribution and online direct sales). Our revenue from offline channels contributed a significant portion of our total revenue, and revenue from this sales channel continued to increase during the Track Record Period. Our revenue from offline distributors was partially offset by volume discounts and the co-advertising allowance paid to our offline distributors. Our volume discounts were mainly determined by the purchase amount of our distributors and our discount policy adjusted according to the market condition and

product type. Our co-advertising allowance was mainly determined by the fulfillment progress of the advertising targets and the marketing expenses incurred by our distributors. See note 2.23 in the Accountant's report in Appendix I to this prospectus. On the other hand, our revenue generated from online channels increased by 52.2% from 2019 to 2020, and compared to our offline distributors, such online sales channels grew at a faster pace in 2020 due to our increased efforts to develop our online direct sales channel and the accelerated adaptation to online shopping by consumers during the COVID-19 pandemic. Our revenue generated from online channels increased by 45.1% from 2020 to 2021, among which our revenue generated from online direct sales increased by 66.4% from RMB151.1 million in 2020 to RMB251.5 million in 2021, and our revenue generated from online distribution increased by 31.0% from RMB230.7 million in 2020 to RMB302.3 million in 2021, primarily due to a growth in both online direct sales and online distribution resulting from our increasing online advertising activities and cooperation with new e-commerce platforms in 2021. Our revenue generated from online direct sales grew at a faster pace in 2021 as compared to online distribution, primarily due to an increase in products directly sold to consumers through our self-operated online stores as a result of (i) our increased advertising and promotion efforts on our self-operated online stores, and (ii) our cooperation with new e-commerce platforms such as Douyin and Kuaishou in 2021. Our revenue generated from online direct sales increased by 5.8% from RMB114.8 million in the six months ended June 30, 2021 to RMB121.5 million in the same period in 2022. Our revenue generated from online distribution decreased by 23.3% from RMB153.6 million in the six months ended June 30, 2021 to RMB117.9 million in the same period in 2022.

Revenue by geographic location

The table below sets forth a breakdown of revenue contribution as a percentage of our total revenue from offline distributors by geographic location of the offline distributor's registered office during the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Eastern China	643,417	20.6	771,855	20.7	900,102	21.2	437,826	21.5	435,563	21.6
Central China	622,002	19.8	733,724	19.6	867,891	20.4	414,807	20.4	385,760	19.1
Northern China	594,036	19.0	630,655	16.9	690,145	16.3	340,165	16.7	314,310	15.6
Southern China	509,064	16.2	637,186	17.0	708,449	16.7	344,892	17.0	349,269	17.3
Southwestern China	389,107	12.4	475,410	12.7	508,582	12.0	239,139	11.8	247,041	12.2
Northwestern China	376,302	12.0	489,752	13.1	551,455	12.9	257,563	12.6	264,079	13.0
Overseas[1]	—	—	—	—	19,796	0.5	54	0.0	25,147	1.2
Total	**3,133,928**	**100.0**	**3,738,582**	**100.0**	**4,246,420**	**100.0**	**2,034,446**	**100.0**	**2,021,169**	**100.0**

(1) Revenue contributed overseas is from offline distributors registered overseas.

During the Track Record Period, we generated relatively balanced revenue from offline distributors in different geographic areas in China. The geographic distribution of our domestic revenue is generally in line with the economic development and population of different regions in China. Revenue generated overseas increased significantly from the six months ended June 30, 2021 to the same period in 2022 due to our engagement of more distributors to start to penetrate the overseas market.

Cost of Sales of Goods

Our cost of sales of goods primarily consists of (i) raw materials, mainly raw materials for our production, such as soybean oil, flour and konjac; (ii) packaging materials, mainly including cardboard boxes and packaging bags; (iii) employee benefit expenses (including salaries, bonuses, pension cost, other social insurance costs and housing benefits) relating to our manufactory staff; (iv) cost for purchasing OEM products, mainly the cost for purchasing finished products from OEM suppliers to diversify our product mix and supplement our production capacity; and (v) manufacturing overheads, which represent utilities, depreciation and amortization, and repairs and maintenance relating to our production.

The table below sets forth a breakdown of the components of our cost of sales of goods and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
							(unaudited)			
Raw materials	1,008,995	29.8	1,145,423	27.8	1,429,420	29.8	697,725	30.2	693,700	30.7
Packaging materials	496,801	14.7	557,517	13.5	673,915	14.0	324,058	14.1	291,187	12.9
Employee benefit expenses	283,290	8.4	358,489	8.7	348,053	7.2	178,572	7.8	142,952	6.3
Cost for purchasing OEM products	195,307	5.8	302,574	7.3	312,115	6.5	144,407	6.3	154,765	6.8
Manufacturing overheads	99,086	2.9	138,587	3.4	191,394	4.0	85,901	3.7	96,881	4.3
Tax surcharges and others	46,984	1.3	52,102	1.3	52,272	1.1	22,475	1.0	19,496	0.9
Total	**2,130,463**	**62.9**	**2,554,692**	**62.0**	**3,007,169**	**62.6**	**1,453,138**	**63.1**	**1,398,981**	**61.9**

Gross Profit

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

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Seasoned flour products	920,009	37.2	1,012,162	37.6	1,046,962	35.9	494,195	35.3	467,013	34.8
Vegetable products	247,574	37.2	458,302	39.3	663,403	39.9	311,238	39.3	353,561	43.2
Bean-based and other products	86,720	35.4	95,201	36.3	82,666	37.9	44,271	40.7	40,974	40.4
Total	**1,254,303**	**37.1**	**1,565,665**	**38.0**	**1,793,031**	**37.4**	**849,704**	**36.9**	**861,548**	**38.1**

Our total gross profit showed an increasing trend during the Track Record Period primarily as the result of the continuous increase in gross profit from vegetable products during the Track Record Period and the increase in gross profit from seasoned flour products from 2019 to 2021. Gross profit from our vegetable products increased by 85.1% from RMB247.6 million in 2019 to RMB458.3 million in 2020, primarily due to an increase in the sales volume and changes of product mix of such products, as driven by the increasing market demand. Gross profit from

our vegetable products increased by 44.8% from RMB458.3 million in 2020 to RMB663.4 million in 2021, primarily due to (i) an increase in the sales volume; (ii) a decrease in employee benefit expenses relating to our manufactory staff as a result of the improvement of production process and automation of Luohe Weidao Plant in 2021; and (iii) the decrease in the purchase price of packaging materials of such products. Gross profit from our vegetable products increased by 13.6% from RMB311.2 million during the six months ended June 30, 2021 to RMB353.6 million during the same period in 2022, primarily due to (i) an increase in average selling price of part of our vegetable products; and (ii) the decrease in purchase price of certain of our vegetable raw materials. Gross profit from our seasoned flour products increased by 10.0% from RMB920.0 million in 2019 to RMB1,012.2 million in 2020 and further increased by 3.4% to RMB1,047.0 million in 2021, primarily due to the increased revenue from such products. Gross profit from our seasoned flour products decreased by 5.5% from RMB494.2 million during the six months ended June 30, 2021 to RMB467.0 million during the same period in 2022 primarily due to a decrease in sales volume.

Distribution and Selling Expenses

Our distribution and selling expenses are primarily related to the enhancement of our offline and online sales and distribution network. Our distribution and selling expenses primarily consist of (i) employee benefit expenses (including salaries, bonuses, pension cost, other social insurance costs and housing benefits) relating to marketing staff; (ii) transportation expenses, primarily representing transportation expenses relating to the transportation of our finished products to our customers; and (iii) promotion and advertising expenses relating to both online and offline advertising activities, mainly including online platform promotion expenses.

The table below sets forth a breakdown of the components of our distribution and selling expenses and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
							(unaudited)			
Employee benefit expenses	93,479	2.8	135,094	3.3	220,478	4.6	118,255	5.1	111,424	4.9
Transportation expenses	127,084	3.8	148,224	3.6	164,927	3.4	80,190	3.5	73,336	3.2
Promotion and advertising expenses	30,820	0.9	46,658	1.1	78,679	1.6	34,727	1.5	36,929	1.6
Other distribution and selling expenses[(1)]	29,882	0.8	40,999	1.0	56,529	1.2	29,438	1.3	47,798	2.2
Total	**281,265**	**8.3**	**370,975**	**9.0**	**520,613**	**10.8**	**262,610**	**11.4**	**269,487**	**11.9**

(1) Other distribution and selling expenses primarily include professional fees, travelling expenses and office expenses.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses (including salaries, bonuses, pension cost, other social insurance costs and housing benefits) relating to administrative staff; (ii) depreciation and amortization, relating to our office buildings and equipment; (iii) office and travel expenses, which represent expenses incurred for office use and business travel of our staff; (iv) research and development

expenses, primarily representing expenses incurred for our internal research and development activities and expenses to third-party companies which collaborate with us in research and development activities; and (v) listing expenses.

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

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
							(unaudited)			
Employee benefit expenses	87,895	2.6	131,128	3.2	218,467	4.6	88,168	3.9	142,422	6.3
Office and travel expenses	11,868	0.4	18,572	0.5	25,903	0.5	10,293	0.4	16,380	0.7
Depreciation and amortization	11,467	0.3	15,422	0.4	34,918	0.7	12,325	0.5	23,245	1.1
Research and development expenses	573	0.0	3,376	0.1	5,497	0.1	—	—	6,934	0.3
Listing expenses[1]	905	0.0	2,457	0.0	30,502	0.6	13,750	0.6	7,804	0.3
Other administrative expenses[2]	25,496	0.8	30,141	0.7	43,823	1.0	15,910	0.7	23,919	1.1
Total	**138,204**	**4.1**	**201,096**	**4.9**	**359,110**	**7.5**	**140,446**	**6.1**	**220,704**	**9.8**

(1) Listing expenses in 2019 mainly represent the fee paid to auditor. Listing expenses in 2020, 2021, and the six months ended June 30, 2022 mainly represent fees paid to auditor, lawyers and the specialists for internal control.

(2) Other administrative expenses primarily include professional fees and expenses for repairs and maintenance and utilities.

Other Income, Net

Our other income primarily consist of (i) government grants from government authorities as rewards for our contribution to the local economic growth; (ii) net sales of scraps and raw materials; and (iii) VAT reduction.

A significant portion of government grants received by our Company during the Track Record Period came from the Administration Committee of Luohe Economic and Technological Development Zone. These government grants mainly include subsidies as rewards to our contribution to the local economy, as well as our investment in production capacity expansion. Our Company has obtained approval documents issued by competent authorities or signed relevant agreements with competent authorities for the above-mentioned government grants. According to the confirmation and related policy documents issued by the relevant competent authority, our PRC Legal Advisors confirmed that the relevant competent authority had the requisite authority, and had obtained proper approvals, for providing the aforesaid government grants to us during the Track Record Period in all material aspects.

The following table sets out a breakdown of the major components of our other income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Government grants					
Related to income	24,706	46,145	130,988	6,767	50,092
Related to assets	426	3,260	3,525	1,898	1,941
Sale of scraps and raw materials, net	10,016	9,436	16,162	7,556	6,956
VAT reduction	—	—	1,991	—	920
Total	**35,148**	**58,841**	**152,666**	**16,221**	**59,909**

Other (Losses)/Gains, net

Our other net other gains/losses primarily consist of (i) fair value gains on financial assets at fair value through profit or loss relating to the purchase of wealth management products and structured deposit; (ii) loss on disposal of property, plant and equipment; (iii) impairment of property, plant and equipment; (iv) net foreign exchange losses and gains; (v) share-based payments related to Pre-IPO Investments; and (vi) donation.

The following table sets out a breakdown of the major components of our other gains and losses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Fair value gains on financial assets at fair value through profit or loss	13,978	36,597	27,416	13,240	22,711
Loss on disposal of property, plant and equipment	(7,990)	(2,901)	(1,647)	(1,256)	(1,704)
Donation	(620)	(1,660)	(11,695)	(1,300)	(648)
Gain on disposal of a subsidiary	—	149	—	—	—
Loss on disposal of an investment accounted for using the equity method	—	(1,677)	—	—	—
Share-based payments related to Pre-IPO Investments	—	—	—	—	(628,811)
Settlement loss related to foreign exchange forward contract	—	—	—	—	(5,238)
Net foreign exchange (losses)/gains	(3)	(279)	(6,148)	(9,280)	12,285
Impairment of property, plant and equipment	(5,717)	—	—	—	—
Net impairment loss on other non-current assets	(1,175)	—	(76)	(76)	—
Others	(217)	1,198	3,865	1,162	2,750
Total	**(1,744)**	**31,427**	**11,715**	**2,490**	**(598,655)**

Finance Income and Finance Costs

Our finance income consists of interest from bank. Our finance costs consist of (i) interest expense on bank borrowings; (ii) finance cost on lease liabilities; and partially offset by (iii) borrowing costs capitalized in

property, plant and equipment. We recorded RMB3.1 million and RMB5.3 million in net finance costs in 2019 and 2020, respectively, primarily in relation to our interest expense on bank borrowings, compared to RMB19.2 million in net finance income in 2021, primarily due to the increase in interests from bank mainly in relation to our increased term deposits with initial term over three months. Our net finance income significantly increased from RMB5.9 million in the six months ended June 30, 2021 to RMB23.7 million in the six months ended June 30, 2022, primarily due to the increase in interests from bank mainly in relation to our holdings of term deposits with initial term over three months.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Finance income:					
Interests from bank	107	481	24,782	7,865	31,704
Finance costs:					
Interest expense on bank borrowings	(3,591)	(9,070)	(9,730)	(3,850)	(9,835)
Finance cost on lease liabilities	(1,462)	(895)	(694)	(295)	(297)
less: borrowing costs capitalized in property, plant and equipment	1,838	4,180	4,888	2,178	2,161
Finance costs	**(3,215)**	**(5,785)**	**(5,536)**	**(1,967)**	**(7,971)**
Finance (costs)/income, net	**(3,108)**	**(5,304)**	**19,246**	**5,898**	**23,733**

Income Tax Expense

We incurred income tax expense of RMB208.4 million, RMB259.6 million, RMB269.9 million, RMB113.7 million and RMB117.5 million in 2019, 2020, 2021 and the six months ended June 30, 2021, and 2022 respectively, with an effective income tax rate of 24.1%, 24.1%, 24.6% and 24.1% in 2019, 2020, 2021 and the six months ended June 30, 2021, respectively. Our tax expense represented 24.2% of the sum of loss before income tax and share-based payments related to Pre-IPO Investments during the six months ended June 30, 2022. The statutory Enterprise Income Tax ("EIT") rate for our businesses in China is 25%, while our subsidiaries, Lewei Seasoning Processing and Lewei Agricultural Foods Processing are partially exempted from tax under relevant Chinese laws and regulations as it is engaged in preliminary processing of agricultural products. Our effective income tax rates are mainly affected by, in addition to applicable EIT rates, among other things, tax-free profits of the companies under our Group which engaged in preliminary processing of agricultural products; and as of the Latest Practicable Date, we did not have any material disputes with tax authorities.

RESULTS OF OPERATIONS

The six months ended June 30, 2022 Compared to the six months ended June 30, 2021

Revenue

Our revenue slightly decreased by 1.8% from RMB2,302.8 million in the six months ended June 30, 2021 to RMB2,260.5 million in the six months ended June 30, 2022, primarily due to the decrease in our revenue generated from sales of seasoned flour products.

Seasoned flour products

Revenue from seasoned flour products decreased by 4.3% from RMB1,401.1 million in the six months ended June 30, 2021 to RMB1,341.4 million in the six months ended June 30, 2022, primarily due to a decrease in the sales volume of seasoned flour products mainly in relation to (i) the impacts on our production and delivery from the COVID-19 Resurgence, and (ii) the temporary impact on sales volume due to the price adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to.

Vegetable products

Revenue from vegetable products increased by 3.1% from RMB793.0 million in the six months ended June 30, 2021 to RMB817.6 million in the six months ended June 30, 2022, primarily due to an increase in the average selling price per kg of 7.3% from RMB27.3 in the six months ended June 30, 2021 to RMB29.3 in the six months ended June 30, 2022, as the result of our recent product upgrade in our major product categories with new packages, production techniques, ingredients or specifications launched in the first half of 2022, which was partially offset by the slight decrease in the sales volume as it took time for customers to adapt to the respective price adjustment.

Bean-based and other products

Revenue from bean-based and other products decreased by 6.7% from RMB108.7 million in the six months ended June 30, 2021 to RMB101.5 million in the six months ended June 30, 2022, primarily due to a decrease in the sales volume mainly in relation to (i) the impact on our production and delivery from the COVID-19 Resurgence, and (ii) our optimization of marketing resource allocation which reduced marketing activities for certain of our bean-based and other products.

Cost of sales of goods

Our cost of sales of goods decreased by 3.7% from RMB1,453.1 million in the six months ended June 30, 2021 to RMB1,399.0 million in the six months ended June 30, 2022, primarily due to decrease in sales volume of our products.

Gross profit and gross margin

Our gross profit increased by 1.4% from RMB849.7 million in the six months ended June 30, 2021 to RMB861.5 million in the six months ended June 30, 2022, primarily due to the increase in gross profit from vegetable products, partially offset by the decrease in gross profit from seasoned flour products. Our gross profit margin increased from 36.9% in the six months ended June 30, 2021 to 38.1% in the six months ended June 30, 2022 primarily due to the increased selling prices of our products.

- Gross profit from seasoned flour products decreased by 5.5% from RMB494.2 million in the six months ended June 30, 2021 to RMB467.0 million in the six months ended June 30, 2022, mainly

due to the decrease in revenue generated from sales of the seasoned flour products while the gross margin from seasoned flour products was 35.3% and 34.8% in the six months ended June 30, 2021 and in the six months ended June 30, 2022, respectively, which remained relatively stable reflecting the negative impact on our gross profit margin from the increase of purchase price for certain of our raw materials largely offset by the positive impact on our gross profit margin from our price adjustment.

- Gross profit from vegetable products increased by 13.6% from RMB311.2 million in the six months ended June 30, 2021 to RMB353.6 million in the six months ended June 30, 2022, mainly due to the increase in the revenue generated from vegetable products and the increase in the gross margin, which increased, from 39.3% in the six months ended June 30, 2021 to 43.2 % in the six months ended June 30, 2022, mainly due to (i) an increase in the average selling price of part of our vegetable products; and (ii) the decrease in purchase price of certain of our vegetable raw materials.

- Gross profit from bean-based and other products decreased by 7.4% from RMB44.3 million in the six months ended June 30, 2021 to RMB41.0 million in the six months ended June 30, 2022, mainly due to the decrease in revenue generated from sales of bean-based and other products, while the gross margin from bean-based and other products was 40.7% and 40.4% in the six months ended June 30, 2021 and 2022, respectively.

Distribution and Selling expenses

Our distribution and selling expenses were RMB262.6 million and RMB269.5 million in the six months ended June 30, 2021 and 2022, which remained relatively stable, reflecting an increase in our professional fees largely offset by a decrease in employee benefits and transportation expenses.

Administrative expenses

Our administrative expenses increased by 57.1% from RMB140.4 million in the six months ended June 30, 2021 to RMB220.7 million in the six months ended June 30, 2022, mainly due to an increase in employee benefit expenses mainly in relation to (i) the establishment and expansion of our branch offices in certain first- and second-tier cities, (ii) an increase in the RSU granted, (iii) an increase in the number of our employees, and (iv) an increase in the average salary for our employees and an increase in depreciation and amortization.

Other income, net

Our other net income increased significantly from RMB16.2 million in the six months ended June 30, 2021 to RMB 59.9 million in the six months ended June 30, 2022, primarily due to the increase in government subsidy as a reward to our contribution to local economic growth and job creation, considering our increased tax payment in line with increased revenue.

Other gains/(losses), net

We recorded RMB598.7 million in other losses in the six months ended June 30, 2022 compared to our RMB2.5 million in other gains in the six months ended June 30, 2021, primarily due to the share-based payments related to Pre-IPO Investments in relation to the supplemental share purchase agreement in April, 2022.

Finance income and finance costs

Our net finance income increased significantly from RMB5.9 million in the six months ended June 30, 2021 to RMB23.7 million in the six months ended June 30, 2022, primarily due to an increase in interests from bank primarily in relation to the holdings of term deposits with initial term over three months.

Income tax expense

Our income tax expenses increased by 3.4% from RMB113.7 million in the six months ended June 30, 2021 to RMB117.5 million in the six months ended June 30, 2022, which was in line with an increase of our taxable income in the six months ended June 30, 2022.

Profit/loss for the period

As a result of the foregoing, our profit for the period decreased from a profit of RMB357.6 million in the six months ended June 30, 2021 to a loss of RMB260.8 million in the six months ended June 30, 2022, primarily due to the share-based payments related to Pre-IPO Investments, partially offset by the increase in our gross profit. We recorded a net profit margin of 15.5% in the six months ended June 30, 2021 and a net loss margin of 11.5% in the six months ended June 30, 2022, primarily due to the share-based payments related to Pre-IPO Investments in the six months ended June 30, 2022, partially offset by the increase in our gross profit.

Adjusted net profit (Non-IFRS measure) and adjusted net profit margin (Non-IFRS measure) for the period

Our adjusted net profit (Non-IFRS measure) for the period increased by 11.9% from RMB379.6 million in the six months ended June 30, 2021 to RMB424.9 million in the six months ended June 30, 2022, primarily as the result of an increase in our gross profit and our adjusted net profit margin (Non-IFRS measure) increased from 16.5% to 18.8%, for the respective periods, primarily in relation to the increase in the average selling price of our products.

2021 Compared to 2020

Revenue

Our revenue increased by 16.5% from RMB4,120.4 million in 2020 to RMB4,800.2 million in 2021, primarily due to (i) the increase in the demand for vegetable products and seasoned flour products, and (ii) our expansion of distribution network with the number of counties that our distribution network covered increased from 584 as of December 31, 2020 to 623 as of December 31, 2021 and the number of retail points of sale in China that our distributors' sales network covered increased from approximately 570,000 as of December 31, 2020 to approximately 690,000 as of December 31, 2021. See "Business – Our Sales Channels – Offline Channels."

Seasoned flour products

Revenue from seasoned flour products increased by 8.5% from RMB2,690.3 million in 2020 to RMB2,918.0 million in 2021, primarily due to an increase of the sales volume of our seasoned flour products with relatively stable average selling price. The sales volume increased by 7.8% from 179,511.4 tons in 2020 to 193,598.6 tons in 2021, primarily due to (i) increasing market demand as a result of greater brand recognition among consumers; and (ii) our expansion of distribution network.

Vegetable products

Revenue from vegetable products increased by 42.5% from RMB1,167.5 million in 2020 to RMB1,664.1 million in 2021, primarily due to an increase in the sales volume of our vegetable products. The sales volume increased by 46.0% from 41,585.4 tons in 2020 to 60,699.3 tons in 2021, primarily due to (i) an increase in the market demand for such products; (ii) our expansion of distribution network and a further increase of the distribution coverage of such products; and (iii) a continuous increase in the production capacity for the vegetable products with the designed production capacity for vegetable products increased from 45,936.0 tons in 2020 to 79,992.0 tons in 2021. The average selling price per kg decreased by 2.5% from RMB28.1 in 2020 to RMB27.4 in 2021, mainly because we carried out promotion activities for our main vegetable products to seize more market and maintain our product competitiveness.

Bean-based and other products

Revenue from bean-based and other products decreased by 16.9% from RMB262.5 million in 2020 to RMB218.1 million in 2021, primarily due to a decrease in the sales volume of our bean-based and other products. The sales volume decreased from 10,161.0 tons in 2020 to 7,212.7 tons in 2021, primarily because (i) we adopted a new packaging design for our bean-based products, and it took time for consumers to become familiar with our new design; and (ii) we discontinued certain such products to optimize the product mix. The average selling price of our bean-based and other products increased from RMB25.8 per kg to RMB30.2 per kg mainly due to the increase in sales of products with higher selling prices, such as products in gift boxes.

Cost of sales of goods

Our cost of sales of goods increased by 17.7% from RMB2,554.7 million in 2020 to RMB3,007.2 million in 2021, primarily due to the increases in cost of raw materials and packaging materials, which was generally in line with the growth of our revenue. The increases in our cost of raw materials and packaging materials were mainly attributable to (i) an increase in the purchase price of certain raw materials of our products; and (ii) increases in the consumption of raw materials and packaging materials as a result of an increase of total production volume.

Gross profit and gross margin

Our gross profit increased by 14.5% from RMB1,565.7 million in 2020 to RMB1,793.0 million in 2021, mainly due to the increase in our revenue. Our gross profit margin remained relatively stable at 38.0% in 2020 and 37.4% in 2021.

- Gross profit from seasoned flour products increased by 3.4% from RMB1,012.2 million in 2020 to RMB1,047.0 million in 2021, mainly due to the increased revenue from such products, while the gross margin from seasoned flour products decreased from 37.6% in 2020 to 35.9% in 2021, mainly due to the increase in the price and procurement cost of soybean oil, one of the major raw materials for producing our seasoned flour products.

- Gross profit from vegetable products increased by 44.8% from RMB458.3 million in 2020 to RMB663.4 million in 2021, mainly due to (i) an increase in the sales volume; and (ii) an increase of our gross margin from vegetable products from 39.3% in 2020 to 39.9% in 2021, which was primarily due to a decrease in employee benefit expenses relating to our manufactory staff as a result of the improvement of production process and automation of Luohe Weidao Plant in 2021, and the decrease in the purchase price of packaging materials of such products, partially offset by a decrease in the selling price of such products from 2020 to 2021.

- Gross profit from bean-based and other products decreased by 13.2% from RMB95.2 million in 2020 to RMB82.7 million in 2021, mainly due to the decrease in the revenue of such products. Gross margin from bean-based and other products increased from 36.3% in 2020 to 37.9% in 2021, mainly due to the increase in the sales of products of higher gross margin under this category, such as products in gift boxes.

Distribution and selling expenses

Our distribution and selling expenses increased by 40.3% from RMB371.0 million in 2020 to RMB520.6 million in 2021, mainly due to (i) an increase in the employee benefit expenses from RMB135.1 million in 2020 to RMB220.5 million (including share-based payment of approximately RMB9.5 million) in 2021, primarily due to an increase in the bonuses of our sales staff as performance incentives; (ii) an increase in promotion and advertising expenses from RMB46.7 million in 2020 to RMB78.7 million in 2021 as a result of an increase in online promotion and advertising expenses primarily incurred in connection with our online advertising activities, such as live streaming, carried out on e-commerce platforms as well as other online media platforms; and (iii) an increase in the transportation expenses, which generally in line with the increase of sales volume of our products from 2020 to 2021.

Administrative expenses

Our administrative expenses increased by 78.6% from RMB201.1 million in 2020 to RMB359.1 million in 2021, mainly due to (i) an increase in employee benefit expenses from RMB131.1 million to RMB218.5 million (including share-based payment of approximately RMB41.0 million) primarily due to an increase in the number and average salaries of administrative staff to support our business growth; and (ii) the incur of listing expenses in 2021 in relation to the Global Offering.

Other income, net

Our other net income increased significantly from RMB58.8 million in 2020 to RMB152.7 million in 2021, primarily due to an increase in government subsidy as a reward to our contribution to local economic growth and job creation, taking into account our increased tax payment in line with increased revenue.

Other gains, net

Our net other gains decreased by 62.7% from RMB31.4 million in 2020 to RMB11.7 million in 2021, primarily due to (i) an increase in our donation to support the disaster relief works related to the flood in Henan in 2021; (ii) a decrease in fair value gains on financial assets at fair value through profit or loss as a result of a decrease in our purchase of wealth management products; and (iii) an increase in net foreign exchange losses.

Finance income and finance costs

We recorded a net finance income of RMB19.2 million in 2021, and we recorded a net finance cost of RMB5.3 million in 2020. The change was primarily due to the increase in our interest from bank in 2021 as a result of our increased term deposits with initial term over three months.

Income tax expense

Our income tax expenses increased from RMB259.6 million in 2020 to RMB269.9 million in 2021, primarily due to an increase of our taxable income in 2021.

Profit for the year

As a result of the foregoing, our profit for the year was RMB818.8 million in 2020 and RMB826.7 million in 2021, respectively, which remained relatively stable. Our net profit margin for the year decreased from 19.9% in 2020 to 17.2% in 2021, primarily due to (i) the increase in the purchase price of certain main raw materials; (ii) the increase in our operating costs including distribution and selling expenses, primarily attributable to the increase in bonuses of our sales staff and advertising expenses, and administrative expenses, primarily attributable to the increase in the number and average salaries of administrative staff and the listing expenses in 2021.

2020 Compared to 2019

Revenue

Our revenue increased by 21.7% from RMB3,384.8 million in 2019 to RMB4,120.4 million in 2020, primarily due to (i) the strong demand for our seasoned flour products and vegetable products, and (ii) our expansion of distribution network with the number of counties that our distribution network covered increased from 513 as of December 31, 2019 to 584 as of December 31, 2020.

Seasoned flour products

Revenue from seasoned flour products increased by 8.7% from RMB2,474.6 million in 2019 to RMB2,690.3 million in 2020, primarily due to (i) an increase of the sales volume of our seasoned flour products in 2020; and (ii) an increase of the average selling price of such products. The sales volume increased slightly from 173,296.0 tons in 2019 to 179,511.4 tons in 2020, primarily due to (i) increasing market demand as a result of greater brand recognition among consumers; and (ii) an expanded coverage of our distribution network. See "Business – Our Sales Channels – Offline Channels." The average selling price per kg increased by 4.9% from RMB14.3 in 2019 to RMB15.0 in 2020 primarily because we selectively increased the selling price of certain seasoned flour products.

Vegetable products

Revenue from vegetable products increased by 75.6% from RMB665.0 million in 2019 to RMB1,167.5 million in 2020, primarily due to (i) an increase in the sales volume; and (ii) an increase in the average selling price of such products. The sales volume increased by 72.3% from 24,130.1 tons in 2019 to 41,585.4 tons in 2020, primarily due to (i) an increase in the market demand for such products, especially a continuous increase in the popularity of *Fengchi Kelp* among consumers; (ii) an increase in our production capacity of our vegetable products in 2020 with our total designed capacity growing by 21,180 tons from 2019 to 2020; (iii) our expansion of distribution network and an increase of the distribution coverage of such products; and (iv) our launch of vegetable products in new package sizes. The average selling price per kg increased by 1.8% from RMB27.6 in 2019 to RMB28.1 in 2020, due to changes in the product mix within this product category. Such changes in the product mix mainly represent increased sales of certain vegetable products with higher average selling prices per kg.

Bean-based and other products

Revenue from bean-based and other products increased by 7.1% from RMB245.2 million in 2019 to RMB262.5 million in 2020, primarily due to a 19.4% increase in the average selling price per kg of such products from RMB21.6 in 2019 to RMB25.8 in 2020. This is mainly due to changes of the product mix of other products and an increase of the selling price of certain bean-based products such as our Doupi products in certain package sizes. The sales volume of bean-based and other products decreased by 10.7% from 11,377.9 tons in 2019 to 10,161.0 tons in 2020 as a result of the optimization of the product mix of such products. We discontinued some production lines of certain bean-based and other products such as Tofu Skin and Dougan in 2020.

Cost of sales of goods

Our cost of sales of goods increased by 19.9% from RMB2,130.5 million in 2019 to RMB2,554.7 million in 2020, primarily due to (i) increases in the consumption of raw materials and packaging materials as a result of an increase of total production volume, which was partially offset by the decrease in the purchase price of packaging materials; and (ii) an increase in the employee benefit expenses primarily due to an increase in the number of our staff for newly established production lines and increased salaries of workers at our production lines to help overcome the difficulties caused by the COVID-19 pandemic.

Gross profit and gross margin

Our gross profit increased by 24.8% from RMB1,254.3 million in 2019 to RMB1,565.7 million in 2020, mainly due to the increase in our revenue. Our gross profit margin increased from 37.1% in 2019 to 38.0% in 2020, mainly due to the increased selling prices of seasoned flour products and changes in the product mix.

- Gross profit from seasoned flour products increased by 10.0% from RMB920.0 million in 2019 to RMB1,012.2 million in 2020, primarily due to increased revenue from such products. Gross margin from seasoned flour products increased from 37.2% in 2019 to 37.6% in 2020, primarily because we selectively increased the selling prices of certain products.

- Gross profit from vegetable products increased by 85.1% from RMB247.6 million in 2019 to RMB458.3 million in 2020, primarily due to the substantial increase in the revenue from such products. Gross margin from vegetable products increased from 37.2% in 2019 to 39.3% in 2020, primarily due to changes in the product mix.

- Gross profit from bean-based and other products increased by 9.8% from RMB86.7 million in 2019 to RMB95.2 million in 2020, primarily due to an increase in the revenue from such products. Gross margin from bean-based and other products increased from 35.4% in 2019 to 36.3% in 2020, primarily due to changes of the product mix of our other products and an increase of the selling prices of certain bean-based products in 2020.

Distribution and selling expenses

Our distribution and selling expenses increased by 31.9% from RMB281.3 million in 2019 to RMB371.0 million in 2020, which is primarily due to (i) an increase in the employee benefit expenses relating to the continuous expansion of our sales team in 2020; (ii) an increase in the transportation expenses, which is generally in line with the increase of sales volume of our products from 2019 to 2020; and (iii) an increase in promotion and advertising expenses as a result of continued increase in online promotion fees paid to e-commerce platforms such as Tmall, JD.com to promote our products and our brands.

Administrative expenses

Our administrative expenses increased by 45.5% from RMB138.2 million in 2019 to RMB201.1 million in 2020, primarily due to an increase in the employee benefit expenses as a result of an increase in the number of our administrative staff to cater for the need of our business expansion.

Other income, net

Our other net income increased by 67.4% from RMB35.1 million in 2019 to RMB58.8 million in 2020. Such increase mainly represents government subsidy as a reward to our contribution to local economy and job creation, taking into account our increased tax payment in line with increased revenue.

Other gains/(losses), net

We recorded net other losses of RMB1.7 million in 2019, and we recorded net other gains of RMB31.4 million in 2020, primarily due to an increase in the fair value of wealth management products and structured deposits as a result of our cash management activities.

Finance income and finance costs

Our finance costs increased by 79.9% from RMB3.2 million in 2019 to RMB5.8 million in 2020, primarily due to an increase in interest expense on bank borrowings mainly relating to upgrades of our equipment, partially offset by an increase in borrowing costs capitalized in property, plant and equipment relating to our construction of new production line in Luohe Weidao Plant in 2020. Our finance income increased significantly from RMB0.1 million in 2019 to RMB0.5 million in 2020, primarily due an increase in interests from bank as a result of an increase of our cash in bank.

Income tax expense

Our income tax expenses increased by 24.5% from RMB208.4 million in 2019 to RMB259.6 million in 2020, primarily due to an increase of our taxable income in 2019 and 2020.

Profit for the year

As a result of the foregoing, our profit for the year increased by 24.4% from RMB658.1 million in 2019 to RMB818.8 million in 2020. Our net profit margin for the year increased from 19.4% in 2019 to 19.9% in 2020, primarily due to increased selling prices of certain products and enhancement in product mix.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

We have historically funded our cash requirements principally from cash generated from operations, and to a lesser extent, borrowings.

We had cash and cash equivalents of RMB89.0 million, RMB161.7 million, RMB494.3 million, RMB1,316.7 million, and RMB180.9 million as of December 31, 2019, 2020, 2021 and June 30, 2021 and 2022, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, borrowings under our banking facilities from time to time and the net proceeds received from the Global Offering.

Taking into account the financial resources available to us including our cash and cash equivalents on hand, cash flow generated from operating activities and the estimated net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below HK$10.40, being the low end of the Offer Price range), our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

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

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Net cash generated from operating activities	750,005	706,401	889,126	450,865	447,159
Net cash used in investing activities	(619,554)	(878,781)	(1,780,817)	(383,403)	(1,126,607)
Net cash (used in)/generated from financing activities	(217,693)	245,605	1,260,476	1,118,527	353,679
Net (decrease)/increase in cash and cash equivalents	(87,242)	73,225	368,785	1,185,989	(325,769)
Cash and cash equivalents at the beginning of the year/ period	176,236	88,994	161,740	161,740	494,275
Effects of exchange rate changes on cash and cash equivalents	—	(479)	(36,250)	(31,022)	12,349
Cash and cash equivalents at the end of the year/period	88,994	161,740	494,275	1,316,707	180,855

Net Cash Generated from Operating Activities

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

In the six months ended June 30, 2022, our net cash generated from operating activities was RMB447.2 million, which was primarily attributable to loss before tax of RMB143.3 million, as adjusted by non-cash items such as (i) share-based payments related to Pre-IPO Investments of RMB628.8 million, (ii) depreciation of property, plant and equipment of RMB57.8 million, (iii) employee benefits expense - share based payments of RMB49.1 million and non-operating items such as fair value gains on financial assets at fair value through profit or loss of RMB22.7 million, and positive movements in working capital of: (i) a decrease in inventories of RMB93.4 million; (ii) a decrease in trade, other receivables and prepayments of RMB57.1 million primarily due to an decrease in input VAT recoverable and such cash inflows were partially offset by a decrease in trade and other payables of RMB66.7 million primarily due to a decrease in trade payables for raw materials and packaging materials and a decrease in contract liabilities of RMB35.0 million.

In 2021, our net cash generated from operating activities was RMB889.1 million, which was primarily attributable to profit before tax of RMB1,096.6 million, as adjusted by non-cash items such as depreciation of property, plant and equipment of RMB92.0 million and non-operating items such as fair value gains on financial assets at fair value through profit or loss of RMB27.4 million, and negative movements in working capital of: (i) an increase in inventories of RMB63.2 million; (ii) an increase in trade, other receivables and prepayments of RMB55.7 million primarily due to an increase in input VAT recoverable; and (iii) a decrease in contract liabilities of RMB52.7 million; and such cash outflows were partially offset by an increase in trade and other payables of RMB118.3 million primarily relating to salary and welfare payables and deposits payables.

In 2020, our net cash generated from operating activities was RMB706.4 million, which was primarily attributable to profit before tax of RMB1,078.3 million, as adjusted by non-cash items such as depreciation of property, plant and equipment of RMB50.5 million and non-operating items such as fair value gains on financial assets at fair value through profit or loss of RMB36.6 million, and negative movements in working capital of: (i) an increase in inventories of RMB150.0 million primarily due to our reserve of raw materials in anticipation of

increased demand; (ii) an increase in trade, other receivables and prepayments of RMB127.3 million primarily due to an increase in prepayments for raw materials; and such cash outflows were partially offset by an increase in trade and other payables of RMB82.5 million, primarily relating to salary and welfare payables.

In 2019, our net cash generated from operating activities was RMB750.0 million, which was primarily attributable to our profit before tax of RMB866.5 million, as adjusted by non-cash items such as depreciation of property, plant and equipment of RMB38.2 million and non-operating items such as fair value gains on financial assets at fair value through profit or loss of RMB14.0 million, and positive movements in working capital of: (i) an increase in trade and other payables of RMB90.5 million, primarily relating to trade payables and salary and welfare payables; (ii) an increase in contract liabilities of RMB87.5 million, primarily because the customers ordered more products from us in December 2019 in anticipation of Chinese New Year in January 2020, whereas the Chinese New Year in 2019 was in February, and such cash inflows were partially offset by (i) an increase in inventories of RMB93.8 million primarily due to our increased inventory of raw materials in anticipation of growing demand for our products; and (ii) an increase in trade, other receivables and prepayments of RMB44.5 million related to prepayments for raw materials and an increase in input VAT recoverable.

Net Cash Used in Investing Activities

In the six months ended June 30, 2022, our net cash used in investing activities was RMB1,126.6 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB3,632.3 million mainly relating to our purchase of structured deposits and investment in fund management products; (ii) payments for acquisition of property, plant and equipment of RMB505.2 million mainly relating to our purchase of properties and the construction of Luohe Xinglin Plant and (iii) increase in our investment in term deposits with initial term over three months of RMB475.5 million. These cash outflow were partially offset by (i) redemption of financial assets at fair value through profit or loss of RMB2,920.7 million as most of financial products we purchased are of short-term nature; and (ii) redemption of term deposits with initial term of over three months of RMB763.0 million.

In 2021, our net cash used in investing activities was RMB1,780.8 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB11,736.8 million, mainly relating to our purchase of wealth management products and structured deposits; (ii) increase in our investment in term deposits with initial term over three months of RMB2,375.7 million; and (iii) payments for acquisition of property, plant and equipment of RMB377.3 million mainly relating to our Luohe Weidao Plant and Luohe Xinglin Plant. These cash outflows were partially offset by (i) redemption of financial assets at fair value through profit or loss of RMB11,854.4 million as most of wealth management products purchased by us are of short-term nature; and (ii) redemption of term deposits with initial term of over three months of RMB822.6 million.

In 2020, our net cash used in investing activities was RMB878.8 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB22,838.7 million, relating to our purchase of wealth management products and structured deposits; (ii) payments for acquisition of property, plant and equipment of RMB336.5 million mainly relating to our Luohe Weidao Plant and Luohe Xinglin Plant; and (iii) government grants received related to assets of RMB107.0 million, which mainly represent subsidies related to our investment in production capacity expansion, representing investment in Luohe Xinglin Plant as well as Luohe Weidao Plant. Our Luohe Xinglin Plant is expected to become fully operational by 2023 as disclosed in

"Future Plans and Use of Proceeds". The basic construction of our Luohe Weidao Plant was completed and is currently under further expansion. For details of our plants, see "Business – Our Production". These cash outflows were partially offset by redemption of financial assets at fair value through profit or loss of RMB22,441.6 million as most of wealth management products purchased by us are of short-term nature.

In 2019, our net cash used in investing activities was RMB619.6 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB12,549.9 million, relating to our purchase of wealth management products and structured deposits; (ii) payments for acquisition of property, plant and equipment of RMB190.6 million relating to our newly constructed Luohe Weidao Plant and newly added Pingping production line and purchase of production equipment to improve their production capacity. These cash outflows were partially offset by redemption of financial assets at fair value through profit or loss of RMB12,105.3 million as most of wealth management products purchased by us are in short term.

Net Cash Generated from/(Used in) Financing Activities

In the six months ended June 30, 2022, our net cash generated from financing activities was RMB353.7 million, which was primarily attributable to proceeds from bank borrowings of RMB858.3 million, which was partially offset by repayments of bank borrowings of RMB500.0 million.

In 2021, our net cash generated from financing activities was RMB1,260.5 million, which was primarily attributable to the capital injection in connection with Pre-IPO Investment of RMB3,600.7 million, which was partially offset by (i) the repurchase of shares in connection with Pre-IPO Investments of RMB1,802.1 million; (ii) dividends paid of RMB596.0 million.

In 2020, our net cash generated from financing activities was RMB245.6 million, which was primarily attributable to the proceeds from bank borrowings of RMB320.0 million, which was partially offset by the repayments of bank borrowings of RMB100.0 million.

In 2019, our net cash used in financing activities was RMB217.7 million, which was primarily attributable to dividends paid of RMB308.1 million and was partially offset by proceeds from bank borrowing of RMB100.0 million.

See "– Borrowings and Indebtedness."

KEY LINE ITEMS OF OUR CURRENT ASSETS AND LIABILITIES

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

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) *(unaudited)*
Current assets					
Trade, other receivables and prepayments	136,832	246,777	319,007	262,773	129,070
Inventories	399,930	541,026	604,255	510,825	510,821
Financial assets at fair value through profit or loss	458,564	842,289	802,103	1,562,997	917,496
Restricted cash	1,553	12,106	294	165,000	—
Term deposits with initial term of over three months	—	56,133	766,331	491,786	333,545
Cash and cash equivalents	88,994	161,740	494,275	180,855	1,212,072
Total current assets	**1,085,873**	**1,860,071**	**2,986,265**	**3,174,236**	**3,103,004**
Current liabilities					
Trade and other payables	401,388	462,114	593,855	506,557	597,108
Contract liabilities	189,837	233,251	180,583	145,565	147,764
Current income tax liabilities	49,333	72,848	77,417	72,941	25,153
Borrowings	137,720	393,366	396,112	681,870	439,693
Lease liabilities	8,501	6,372	7,545	5,739	3,434
Total current liabilities	**786,779**	**1,167,951**	**1,255,512**	**1,412,672**	**1,213,152**
Net current assets	**299,094**	**692,120**	**1,730,753**	**1,761,564**	**1,889,852**

Our net current assets increased from RMB299.1 million as of December 31, 2019 to RMB692.1 million as of December 31, 2020, primarily due to an increase in the financial assets at fair value through profit or loss. Our net current assets increased from RMB692.1 million as of December 31, 2020 to RMB1,730.8 million as of December 31, 2021, primarily due to an increase in our term deposits with initial term of over three months and an increase in our cash and cash equivalents. Our net current assets increased from RMB1,730.8 million as of December 31, 2021 to RMB1,761.6 million as of June 30, 2022, primarily due to the increase in our financial assets at fair value through profit or loss mainly in relation to the increase in our purchase of structured deposit.

Inventories

Our inventories mainly include raw materials and packaging materials, finished goods and semi-finished goods, with raw materials and finished goods being the largest components. As of December 31, 2019, 2020, 2021 and June 30, 2022, our raw materials and packaging materials accounted for 88.3%, 90.8%, 87.6% and 89.6% of our total inventories, respectively. Our raw material inventory mainly includes soybean oil, flour and konjac. In particular, as the supply of vegetable raw materials and seasonings are seasonal, we usually purchase these raw materials in advance from their key production region during their harvest season according to our

scheduled production plans and expected customer demand. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Raw materials and packaging materials	353,195	491,252	529,538	457,843
Finished goods and goods in transit	39,283	43,727	69,467	46,671
Semi-finished goods	428	395	113	109
Low-value consumption goods	7,024	5,652	5,137	6,202
Total	**399,930**	**541,026**	**604,255**	**510,825**

Our inventories increased by 35.3% from RMB399.9 million as of December 31, 2019 to RMB541.0 million as of December 31, 2020, primarily due to our increased reserve of raw materials, primarily vegetable raw materials and seasonings to cater the growing market demand for our products.

Our inventories increased by 11.7% from RMB541.0 million as of December 31, 2020 to RMB604.3 million as of December 31, 2021, primarily attributable to (i) an increase in our reserve of raw materials and packing materials at the end of 2021 in response to the expected surge in price of certain raw materials at the end of 2021 as well as to mitigate the shortage risk of such raw materials and packing materials in anticipation of the resurgence of COVID-19 cases; (ii) an increase in the price and procurement cost of certain main raw materials of our products in 2021; and (iii) an increase in finished goods for sale in anticipation of the surging sales before the Chinese New Year in January 2022, whereas the Chinese New Year in 2021 was in February.

Our inventories decreased from RMB604.3 million as of December 31, 2021 to RMB510.8 million as of June 30, 2022 primarily due to a decrease in raw materials, which were used for our production during the six months ended June 30, 2022, and we usually purchase certain agricultural raw materials during their harvest season, which is the second half of the year.

We believe there is no recoverability issue for our inventories as of June 30, 2022, which mainly consisted of raw materials, packaging materials and finished products, as we had stored our inventories in well ventilated warehouses with dry storage conditions, controlled temperature and humidity and under stringent inventory control management measures to avoid the risk of deterioration. See "Business - Our Inventory Management." We periodically review our inventories ageing list, which involves comparison of the carrying amount of our inventories with their respective net realizable value, and consider our provision made to be sufficient.

As of October 31, 2022, RMB300.9 million, or 58.9%, of our inventories as of June 30, 2022 had been sold or used.

The table below sets forth the amount of our finished goods by product categories inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
			(ton)	
Seasoned flour products	1,526	1,222	1,269	1,051
Vegetable products	510	1,121	1,410	513
Bean-based and other products	296	185	249	77

The following table sets out the number of our inventory turnover days and turnover days of certain types of inventories for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Inventory turnover days [(1)]	60	67	70	72
– Finished goods and goods in transit inventory turnover days [(2)]	5	6	7	8
– Raw materials and packaging materials inventory turnover days [(3)]	54	60	62	64

(1) Our inventories mainly include raw materials and packaging materials, finished goods and semi-finished goods, with raw materials and finished goods being the largest components. 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 365 for each of the three years ended December 31, 2019, 2020 and 2021 and by 181 for the six months ended June 30, 2022.

(2) Finished goods and goods in transit inventory turnover days for each period equals the average of the beginning and ending balances of finished goods and goods in transit for that period divided by cost of sales for that period and multiplied by 365 for each of the three years ended December 31, 2019, 2020 and 2021 and by 181 for the six months ended June 30, 2022.

(3) Raw materials and packaging materials inventory turnover days for each period equals the average of the beginning and ending balances of raw materials and packaging materials for that period divided by cost of sales for that period and multiplied by 365 for each of the three years ended December 31, 2019, 2020 and 2021 and by 181 for the six months ended June 30, 2022.

Our inventory turnover days increased from 60 days in 2019 to 67 days in 2020, primarily due to our reserve of vegetable raw materials in advance in 2021 and six months ended June 30, 2022. Our inventory turnover days remained relatively stable at 70 days and 72 days in 2021 and the six months ended June 30, 2022, respectively.

Trade, Other Receivables and Prepayments

The following table sets out a breakdown of our trade and other receivables:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade receivables:				
Receivables from third parties	18,615	40,744	56,552	54,530
Loss allowance	—	—	(429)	(197)
Total trade receivables	**18,615**	**40,744**	**56,123**	**54,333**
Other receivables:				
Deposits as guarantees to suppliers	4,464	4,953	11,234	8,576
Proceeds receivable from sale of property, plant and equipment	3,018	—	1,400	1,150
Loans to third parties	1,500	800	400	200
Others	923	960	1,201	1,262
Loss allowance	(200)	(800)	(474)	(269)
Total other receivables	**9,705**	**5,913**	**13,761**	**10,919**

Trade Receivables

We generally require our offline distributors to make payments by cash before delivery. In line with the industry practices associated with online e-commerce platforms, we grant up to 90 days of credit terms to our online e-commerce platforms customers.

Our trade receivables significantly increased from RMB18.6 million as of December 31, 2019 to RMB40.7 million as of December 31, 2020 and to RMB56.1 million as of December 31, 2021, primarily due to an increase in product sales through online retailers including Tmall Supermarket and JD Supermarket to which we generally grant longer credit terms. We recorded RMB54.3 million as of June 30, 2022, which was relatively stable compared to that as of December 31, 2021.

Our Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales and the corresponding historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. As at June 30, 2022, the expected loss rates of trade receivables ranged from 0.03% to 4.57%. We made a loss allowance of RMB0.2 million as of the June 30, 2022.

The following table sets forth an aging analysis of our trade receivables, based on invoice date, as of the dates indicated:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within 90 days	15,751	35,681	52,312	51,661
91-180 days	2,864	5,063	4,240	2,869
	18,615	40,744	56,552	54,530

As of December 31, 2019, 2020, 2021 and June 30, 2022, the ageing of our trade receivables was within 180 days, respectively, among which bad debt losses were not material. Based on our previous experience with collection of trade receivables from and our close cooperation with such entities, we believe there is no recoverability issue for trade receivables as of June 30, 2022, primarily because (i) those outstanding balance were within the credit period granted to such entities; (ii) such entities enjoy good credit quality as they experienced rapid business and financial development during the past several years; and (iii) we have not had any debt collection issues with such entities.

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

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Trade receivables turnover days [(1)]	1.8	2.6	3.7	4.4

(1) Trade receivables turnover days for each period equals the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by 365 for each of the three years ended December 31, 2019, 2020 and 2021 and by 181 for the six months ended June 30, 2022.

During the Track Record Period, the turnover days of trade receivables were well within the credit period granted to our customers. We saw a general increasing trend in the turnover days of our trade receivables during the Track Record Period, primarily due to our increased sales revenue from online channels with relatively longer terms of settlement according to distribution contracts from 2019 to 2021 and the impact of COVID-19 Resurgence during the six months ended June 30, 2022.

As of October 31, 2022, RMB53.3 million, or 97.7%, of our trade receivables as of June 30, 2022 had been subsequently settled.

In relation to the trade receivables of RMB54.5 million as of June 30, 2022, in the opinion of the Company, there was no material recoverability issues with such outstanding trade receivables and the trade receivable provision made was sufficient.

Other Receivables

Our other receivables primarily represent (i) deposits as a guarantee to suppliers, which mainly refer to deposits to certain e-commerce platforms relating to advertisement and promotion activities and staff dormitory

rental deposit; and (ii) proceeds receivable from sale of property, plant and equipment relating to our sales of disused production equipment. Our other receivables decreased by 39.1% from RMB9.7 million as of December 31, 2019 to RMB5.9 million as of December 31, 2020, primarily because we did not record proceeds receivable from sale of property, plant and equipment in 2020. Our other receivables increased by 132.7% from RMB5.9 million as of December 31, 2020 to RMB13.8 million as of December 31, 2021, primarily due to (i) an increase in deposits to certain e-commerce platforms; and (ii) an increase of security deposits for purchase of lands. Our other receivables decreased by 20.7% from RMB13.8 million as of December 31, 2021 to RMB10.9 million as of June 30, 2022, primarily due to the return of deposit payment related to land-use-rights.

Prepayments

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Prepayments for raw materials	57,877	125,338	37,800	43,228
Prepayments for services	5,062	6,496	42,281	30,226
Input VAT recoverable	45,573	68,286	159,373	111,443
Prepayment for income tax	—	—	4,946	7,130
Prepayments for listing expenses	—	—	4,723	5,494
Total prepayments	**108,512**	**200,120**	**249,123**	**197,521**

Our prepayments primarily represent prepayments for raw materials and input VAT recoverable, which represents the value added input tax in excess of the value added output tax, which can be deductible or recoverable in the future. Our prepayments increased by 84.4% from RMB108.5 million as of December 31, 2019 to RMB200.1 million as of December 31, 2020, primarily due to a significant increase in procurement for raw materials, primarily vegetable raw materials, to meet our increase demand for vegetable products in 2020. Our prepayments increased by 24.5% from RMB200.1 million as of December 31, 2020 to RMB249.1 million as of December 31, 2021, primarily due to (i) an increase in input VAT recoverable relating to our purchase of raw materials and equipments; and (ii) an increase in prepayments for consulting services provided by a third-party service provider. Our prepayments decreased by 20.7% from RMB249.1 million as of December 31, 2021 to RMB197.5 million as of June 30, 2022, primarily due to decrease in input VAT recoverable.

As of October 31, 2022, RMB80.9 million, or 41.0% of our prepayments as of June 30, 2022 had been used.

The table below sets forth the breakdown of our prepayments for services by nature during the Track Record Period.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Consulting & legal fees	—	166	31,949	17,650
Promotion and advertisement	3,199	924	3,077	5,257
Stock code fee	—	—	2,453	2,566
Lease	352	2,119	2,402	2,727
Others	1,511	3,287	2,400	2,026
Total	**5,062**	**6,496**	**42,281**	**30,226**

Our prepayments for services increased by 28.3% from RMB5.1 million as of December 31, 2019 to RMB6.5 million as of December 31, 2020 primarily due to an increase in prepayments for leasing. Our prepayments for services increased significantly from RMB6.5 million as of December 31, 2020 to RMB42.3 million as of December 31, 2021 primarily due to an increase in prepayments for consulting mainly in relation to our engagement of certain consulting firm for our branding positioning and enhancement. Our prepayments for services decreased by 28.5% from RMB42.3 million as of December 31, 2021 to RMB30.2 million as of June 30, 2022 primarily due to a decrease in prepayments for consulting.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss primarily consist of wealth management products, structured deposits and investment in fund management products. We had RMB458.6 million in financial assets at fair value through profit or loss as of December 31, 2019, which increased by 94.6% to RMB892.3 million as of December 31, 2020, primarily representing our wealth management products and structured deposits by the end of 2020 reflecting our improved cash positions at the end of the year. Our financial assets at fair value through profit or loss decreased from RMB892.3 million as of December 31, 2020 to RMB802.1 million as of December 31, 2021, because we strategically decreased our investment in wealth management and structured deposits products in anticipation of a decrease in return rates of such products. Our financial assets at fair value through profit or loss increased by 94.9% from RMB802.1 million as of December 31, 2021 to RMB1,563.0 million as of June 30, 2022, primarily representing our structured deposits and investment in fund management products.

We began to regularly purchase short-term wealth management products in 2018 to improve the return on surplus cash balances and invested in structured deposits in 2019. In 2020, based on our cash flow and the downward trend of market interest rates, we have gradually adopted a wealth management investment strategy by combining long-term and short-term investment and selected wealth management products with higher yields to obtain higher investment returns, while safeguarding our fund liquidity at the same time. During the Track Record Period, we mainly purchased wealth management products and structured deposits issued by large state-owned joint-stock commercial banks. The wealth management products we purchased invest principally in low-to-medium risk and liquid fixed-income instruments that are quoted on the interbank market or exchanges in China, including, among others, treasury bonds, corporate bonds, medium-term notes, short-term commercial paper and interbank deposits. However, in general, neither the principal nor the returns of any wealth

management product are protected or guaranteed by the issuing bank. We generally invest up to 90% of our cash balance, and the average maturity of the wealth management products and structured deposits we mainly purchased was within one year, with an actual average return rate between 1.15% and 4.40% in the Track Record Period.

The following table sets out the fair value balances of our wealth management products, structured deposits and investment in fund management products as of December 31, 2019, 2020 and 2021 and June 30, 2022 and nature of these products such as estimated weighted average return rate.

	Fair value as of December 31,			Fair value as of June 30,	Product nature
	2019	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000	
Wealth management product	303,240	586,497	454,882	123,040	The estimated weighted average return rate of these products were between 2.15% and 4.40% each year, and the maturity periods of the majority of our wealth management products were below one year. The return of these products was determined by reference to the return of their respective underlying investments.
Structured deposits	155,324	305,792	220,274	882,495	These products mainly consisted of principal protected money market products issued by domestic commercial banks. The estimated weighted average return rate of these products were 1.15% to 4.10% each year. The return of the structured deposits was determined by reference to the return of their respective underlying investments.
Investment in fund management products	—	—	126,947	557,462	The products consisted of bond funds products. The estimated return rate of the product were 1.20% to 4.00% per annum.

We primarily invest in bank-issued short-term wealth management products and structured deposits with a maturity from several months up to one year. Our investment and risk management policies in relation to investment activities include:

- wealth management products shall be of low risk with reasonable returns and liquidity;
- criteria for selecting wealth management products, structured deposits investment and investment in fund management products include our risk exposure, expected return and liquidity;
- investments in wealth management products, structured deposits and investment in fund management products are subject to a multi-layered approval process involving our finance and accounting departments and senior management;
- approvals from our finance and accounting departments and senior management are required for each investment transaction; and

- upon the maturity dates of each investment, designated personnel at our finance department would be responsible for the redemption and disposition of the investments according to the relevant contracts.

Our wealth management product, structured deposits and investment in fund management products were categorized as level 3 as of December 31, 2019, 2020, 2021 and June 30, 2022. We have instituted internal policies on valuation methodologies, models and procedures for valuation of level 3 financial assets. The fair value of the level 3 *"Financial Assets at Fair Value through Profit or Loss"* was estimated using a discounted cash flow valuation model. The significant unobservable inputs are the expected yield rate. Details of the fair value measurement of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in note 3.3 of the Appendix I to this prospectus.

Our finance department is responsible for performing the valuations, with focuses on methodologies, computation basis, benchmark yield rate of financial investment products of banks, key assumptions, qualifications and underlying rationales. When carrying out the valuation work, the finance department ensures the valuation methodologies adopted are appropriate as to the underlying financial instruments to reflect accurately the economic substance. Our finance department also performs risk assessments on (i) the effectiveness of its valuation models to enhance the reasonableness and reliability of such models periodically, and (ii) any material adjustments to existing valuation models or the implementation of any new valuation models. The finance department directly reports its valuation process and results to the chief financial officer of our Company, with various discussions being held to understand the computing basis and rationale.

We have formulated internal control policies setting out the approval process for the purchase of wealth management products, structured deposits, investment in fund management products, and the responsible person/ department for the enforcement of the policies. Our investment decisions are made on a case-by-case basis after due and careful consideration of our cash flow positions and future working capital requirements based on operational needs. Each transaction for the purchase of wealth management products, structured deposits and investment in fund management products is initiated by our finance department, which should be reviewed by finance department, CFO and CEO, subject to the approval of our Vice Chairman of the Board Mr. Liu Fuping. See "Directors and Senior Management" for a detailed description of relevant members of senior management's qualifications and credentials.

We have also implemented internal control measures to mitigate the investment risks, including the follows:

- We prudently purchase investment products taking into consideration their respective risk rating from major state-owned commercial banks or other financial service institutions with good reputation.

- We issue reports of expected returns and risk analysis before making investment decisions by performing feasibility analysis on our investment plan, scale and expected return rates, and conducting risk assessment on product portfolios and the trustee's creditworthiness for fund management product. We would engage with independent professional institutions for investment advisory services when necessary.

- We monitor the fluctuations in the investment products' performance, maintain regular communication with trustees for timely updates, and would report to relevant members of senior management should the fluctuations indicate abnormalities or high risks.

- We report to CEO at the end of each quarter regarding investment performance and issue an analysis report on entrusted investment management at the end of each year to report to our CEO and Chairman of the Board.

Based on the above procedures, our Directors are satisfied with the valuation work for financial assets categorized within level 3 of fair value measurement in the historical financial information for the purpose of the preparation of the Accountant's Report in Appendix I to this prospectus.

Details of the fair value measurement of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 3.3 of the Accountant's Report in Appendix I to this prospectus which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on page I-2 of Appendix I to this prospectus.

In relation to the valuation of the Group's level 3 financial assets, the Joint Sponsors have conducted, among others, the following independent due diligence work:

(i) discussed with the management of the Company, in particular with the relevant personnel in charge of finance and business operations who are familiar with the valuation of the level 3 financial assets, to understand (a) the nature and details of the level 3 financial assets, and the procedures performed for such valuation, (b) the Group's internal policies and procedures regarding classification and valuation assessment of level 3 financial assets and (c) the key basis, methodologies and assumptions adopted by the Group for such independent valuation assessment;

(ii) conducted expert due diligence interview with the Reporting Accountant and noted that (a) the Reporting Accountant is not aware of any material issue related to the valuation of the financial assets at fair value through profit or loss that cause the Reporting Accountant unable to issue an unmodified opinion on the Group's consolidated financial information for the Track Record Period as a whole; and (b) there was no disagreement between the Reporting Accountant and the management of the Company in relation to the classification, key basis, methodologies and assumptions for the valuation of level 3 financial assets; and

(iii) reviewed relevant notes in the Accountant's Report and the relevant underlying agreements concerning the corresponding level 3 financial assets during the Track Record Period.

After the Listing, we intend to continue our investments in the wealth management product, structured deposits and investment in fund management products strictly in accordance with our internal policies and guidelines, Articles of Associations, and the requirements under Chapter 14 of the Listing Rules.

Term Deposits with Initial Term over Three Months

Our term deposits with initial term over three months were RMB1,720.7 million and RMB1,476.4 million as of December 31, 2021 and June 30, 2022, respectively. The decrease in our total term deposits in the first half of 2022 was mainly because we strategically increased our investment in products with comparatively higher investment return as compared to term deposits with initial term over three months. As of June 30, 2022, we had RMB1,004.6 million of term deposits with initial term over three months denominated in Renminbi and RMB471.8 million of term deposits with initial term over three months denominated in US dollar. The decrease in our term deposits with initial term over three months was primarily in relation to redemption of part of our term deposits with initial term over three months denominated in US dollar. Our financial assets measured at fair value through profit and loss were investment in wealth management products, structured deposits and investment in fund management products.

In April 2018, the Guiding Opinions of the People's Bank of China, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange on Regulating the Asset Management Business of Financial Institutions, with the transition period extended to the end of 2021, was adopted to regulate the wealth management product market in China, increasing uncertainties to return rates of investment in wealth management products and the risks associated therewith. Therefore, after performing internal risk assessment process, we decided to shift a portion of cash from investment in financial assets at fair value through profit or loss to term deposits during the first half of 2021. As of June 30, 2022, we had term deposits with initial term over three months (non-current portion) of RMB984.6 million, of which the fixed interest rate ranged from 3.45% to 4.18% per annum. As a result, we believe term deposit is a suitable alternative to wealth management products considering its similar return rates and low-risk nature.

We expect to incur capital expenditure of approximately RMB725.0 million and RMB976.0 million in 2022 and 2023, respectively, mainly for the construction of productions plants and purchase of related production equipment, which would be primarily financed by cash generated from operating activities and proceeds from our pre-IPO financing. See "– Capital Expenditures and Capital Commitments". As of June 30, 2022, we had cash and cash equivalents of RMB180.9 million and financial assets at fair value through profit or loss of RMB1,563.0 million. In any case, if there is a need for additional working capital under such expansion activities, according to relevant agreements, cash can be withdrawn before the prescribed maturity date, without suffering losses on its principals.

Trade and Other Payables

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

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade payables:				
– Third parties	160,201	146,608	177,542	88,064
– Related parties	—	9,234	20,350	12,513
	160,201	155,842	197,892	100,577
Other payables:				
Salary and welfare payables	127,696	171,550	213,883	212,391
Amounts due to related parties	2,366	2,338	260	260
Deposits payables	23,107	23,158	53,667	90,962
Freight charges payables	24,707	25,099	22,169	19,761
Payables for purchase of property, plant and equipment	17,040	35,661	49,768	29,135
Tax payable	12,609	12,473	6,905	6,955
VAT payable related to contract liabilities	16,604	20,761	17,277	11,839
Utilities payables	6,435	6,068	9,234	6,292
Others	10,623	9,164	22,800	28,385
	241,187	**306,272**	**395,963**	**405,980**
	401,388	**462,114**	**593,855**	**506,557**

Trade Payables

Our trade payables are primarily payables to our raw material suppliers and OEM suppliers. We purchased OEM products mainly for sales through online channels to expand consumer choices. See "Business – Our Suppliers." Our trade payables decreased by 2.7% from RMB160.2 million as of December 31, 2019 to RMB155.8 million as of December 31, 2020, primarily due to (i) a decrease in the payables to our OEM suppliers relating to an increase in our production capacity in 2020; and (ii) a decrease in the payables to packaging materials suppliers due to the settlement at the end of the year. Our trade payables increased by 27.0% from RMB155.8 million as of December 31, 2020 to RMB197.9 million as of December 31, 2021, primarily due to an increase in payables for purchasing raw materials and packaging materials to increase our reserves in response to the surge in price of certain raw materials at the end of 2021 as well as to mitigate the shortage risk of such raw materials and packing materials in anticipation of the resurgence of COVID-19 cases. Our trade payables decreased by 49.2% from RMB197.9 million as of December 31, 2021 to RMB100.6 million as of June 30, 2022, primarily due to a decrease in payables for purchasing raw materials and packaging materials.

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

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Trade payables turnover days [(1)]	24	23	21	19

(1) Trade payables turnover days for each period equals the average of the beginning and ending balances of trade payables for that period divided by cost of sales of goods for that period and multiplied by 365 for each of the three years ended December 31, 2019, 2020 and 2021 and by 181 for the six months ended June 30, 2022.

We saw a general decreasing trend in the turnover days of our trade payables during the Track Record Period, primarily due to our improved payment efficiency and shortened payment process.

As of December 31, 2019, 2020, 2021, and June 30, 2022, we did not have trade payables aging more than 90 days. We did not have any material defaults in payment of trade payables during the Track Record Period. As of October 31, 2022, RMB100.2 million, or 99.6% of our trade payables as of June 30, 2022 had been subsequently settled.

Other payables

Our other payables primarily represent (i) salary and welfare payables including provisions related to social insurance and housing provident fund contributions, unpaid salaries and year-end awards; and (ii) deposits payables including deposits from distributors. Our other payables increased by 27.0% from RMB241.2 million as of December 31, 2019 to RMB306.3 million as of December 31, 2020, primarily due to an increase in salary and welfare payables as a result of an increase in the number of our employees and an increase in the salaries of our workers at production lines. Our other payables increased by 29.3% from RMB306.3 million as of December 31, 2020 to RMB396.0 million as of December 31, 2021, primarily attributable to (i) an increase in salary and welfare payables as a result of a provision made in relation to our social insurance fund contributions; (ii) an increase in deposits payables primarily referring to quality assurance money in relation to our newly built plants; and (iii) an increase in payables for property, plant and equipments for our newly built plants. We recorded RMB406.0 million in other payables as of June 30, 2022, which remained relatively stable compared with that as of December 31, 2021.

Contract Liabilities

Our contract liabilities are primarily advance payments from customers. Our contract liabilities increased by 22.9% to RMB233.3 million as of December 31, 2020, primarily due to an increase in the demand for our products from our distributors.

Our contract liabilities decreased by 22.6% from RMB233.3 million as of December 31, 2020 to RMB180.6 million as of December 31, 2021, primarily due to (i) an increase in products we delivered to distributors at the end of 2021 in anticipation of the Chinese New Year in January 2022, whereas the Chinese New Year in 2021 was in February; and (ii) an improved effectiveness of our products delivery process.

Our contract liabilities decreased by 19.4% from RMB180.6 million as of December 31, 2021 to RMB145.6 million as of June 30, 2022, primarily because our distributors placed more orders with us at the end of 2021 in anticipation of the Chinese New Year in January 2022. As of October 31, 2022, RMB124.8 million, or 85.8% of our contract liabilities as of June 30, 2022 was subsequently recognized as revenue.

BORROWINGS AND INDEBTEDNESS

During the Track Record Period, our indebtedness included borrowings and lease liabilities.

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Borrowings				
Secured borrowings from bank	100,000	320,000	460,112	819,170
Unsecured borrowings from the companies controlled by the Controlling Shareholders	37,720	73,366	—	—
Lease liabilities	25,812	17,482	14,715	9,785
Total	**163,532**	**410,848**	**474,827**	**828,955**

Our borrowings are RMB137.7 million, RMB393.4 million, and RMB460.1 million and RMB819.2 million as of December 31, 2019, 2020, 2021 and June 30, 2022. Our borrowings are primarily short-term secured bank loans which we obtain for the construction of plants and other operating needs.

Our borrowings increased significantly from RMB137.7 million in 2019 to RMB393.4 million in 2020, primarily due to a working capital loan of RMB200.0 million which we obtained from a Chinese commercial bank. See note 30 of the Appendix I of this prospectus. Our borrowings increased from RMB393.4 million as of December 31, 2020 to RMB460.1 million as of December 31, 2021, primarily due to an non-current portion of secured borrowings from bank of RMB64.0 million as of December 31, 2021. Our borrowings increased from RMB460.1 million as of December 31, 2021 to RMB819.2 million as of June 30, 2022, primarily due to an increase in borrowings recorded under current liabilities as we had utilized more diversified financing resources for our working capital requirements.

As of October 31, 2022, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB606.7 million, including bank borrowings of RMB600.9 million, of which RMB161.3 million was pledged by land use right held by a subsidiary of the Company. The effective interest rates of the bank borrowings are ranging from 1.31% to 3.97% per annum. We also had lease liabilities of RMB5.8 million. As of October 31, 2022, we had unutilized banking facilities of RMB38.7 million.

Our Directors confirm that, as of the Latest Practicable Date, there was no material covenant which would impact our ability to undertake additional debt financing. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As of December 31, 2019, 2020, 2021 and June 30, 2022, our current and non-current lease liabilities were RMB25.8 million, RMB17.5 million, RMB14.7 million and RMB9.8 million, respectively, primarily representing our outstanding payments mainly in respect of leases of equipment and certain properties from third parties.

Except as disclosed above, during the Track Record Period and up to October 31, 2022, 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), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of December 31, 2019, 2020 and 2021 and June 30, 2022 and October 31, 2022.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

Capital Expenditures

The following table sets out a breakdown of our capital expenditures for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Payments for acquisition of property, plant and equipment	190,619	336,505	377,290	157,217	505,187
One-off payment made for purchase of right-of-use assets	—	113,346	—	—	63,220
Payment of intangible assets	387	281	15,198	592	5,501
Total	**191,006**	**450,132**	**392,488**	**157,809**	**573,908**

Our historical capital expenditures primarily consist of payments for acquisition of property, plant and equipment, one-off payment made for purchase of right-of-use assets and payment of intangible assets. We funded our capital expenditure requirements mainly from cash generated from operations.

We plan to fund our planned capital expenditures using cash generated from operations and the net proceeds received from the Global Offering. We expect our capital expenditures to be approximately RMB725.0 million and RMB976.0 million in 2022 and 2023, respectively, which will mainly be used for construction of our Luohe Xinglin Plant and Yunnan Qujing Plant and purchase of related production equipment. See "Future Plans and Use of Proceeds". We plan to support such capital expenditures with net proceeds received from the Global Offering, net cash generated from operating activities and interest-bearing borrowings.

Capital Commitments

As of December 31, 2019, 2020, 2021 and June 30, 2022, we had capital commitments for property, plant and equipment of RMB64.2 million, RMB58.5 million, RMB141.7 million and RMB91.9 million, respectively.

We recognized right-of-use assets for leases, other than short-term and low-value leases, see note 18 in Appendix I of this prospectus. As of December 31, 2019, 2020, 2021 and June 30, 2022, we had commitment about short-term lease and low-value lease of RMB4.6 million and RMB1.9 million, RMB1.9 million and RMB3.8 million, respectively.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

See note 35 of Appendix I to this prospectus for more details about our related party transactions during the Track Record Period. 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. As of June 30, 2022, the balances of amounts due to the Controlling Shareholders, borrowings guaranteed by the Controlling Shareholders, borrowings from the companies controlled by the Controlling Shareholders during the Track Record Period, which were non-trade in nature, had been settled. The balances with other related parties as of December 31, 2019, 2020, 2021 and June 30, 2022 were trade in nature.

KEY FINANCIAL RATIOS

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

	Year ended/As of December 31,			Six months ended/As of June 30,
	2019	2020	2021	2022
Net profit/(loss) margin[1]	19.4%	19.9%	17.2%	(11.5%)
Adjusted net profit margin (Non-IFRS measure)[2]	19.5%	19.9%	18.9%	18.8%
Return on assets[3]	49.9%	35.7%	20.3%	(9.4%)
Return on equity[4]	135.6%	66.9%	31.2%	(13.4%)
Current ratio[5]	1.38	1.59	2.38	2.25
Quick ratio[6]	0.87	1.13	1.90	1.89
Gearing ratio[7]	16.9%	24.1%	12.5%	19.8%

(1) Equals profit/(loss) for the year/period divided by revenue and multiplied by 100%. See "– Description of Major Components of Our Results of Operations."

(2) Equals adjusted net profit for the year/period as a non-IFRS measure divided by revenue and multiplied by 100%.

(3) Equals profit for the years ended December 31, 2019, 2020 and 2021, or annualized profit/(loss) for the six months ended June 30, 2022 divided by the average of the beginning and ending balance of total assets for that period and multiplied by 100%.

(4) Equals profit for the years ended December 31, 2019, 2020 and 2021, or annualized profit/(loss) for the six months ended June 30, 2022 divided by the average of the beginning and ending balance of total equity for that period and multiplied by 100%.

(5) Equals current assets divided by current liabilities as of the same date.

(6) Equals current assets less inventories and divided by current liabilities as of the same date.

(7) Equals total debt divided by total equity and multiplied by 100%.

Return on Assets

The return on assets ratio decreased from 20.3% in 2021 to (9.4%) in the six months ended June 30, 2022, primarily due to the change of our net profit of RMB826.7 million in 2021 to net loss of RMB260.8 million in the six months ended June 30, 2022.

The return on assets ratio decreased from 35.7% in 2020 to 20.3% in 2021, primarily due to an increase in total assets of RMB2,250.1 million in 2021 as a result of (i) an increase of RMB1,554.5 million in our term deposits with initial term of over three months (including current and non-current portions) and (ii) an increase of RMB300.9 million in our property, plant and equipment.

The return on assets ratio decreased from 49.9% in 2019 to 35.7% in 2020, primarily due to an increase in total assets of RMB1,296.6 million in 2020 as a result of an increase of RMB433.7 million in our total financial assets at fair value though profit or loss (including both current and non-current portions) and an increase of RMB292.4 million in property, plant and equipment.

Return on Equity

The return on equity ratio decreased from 31.2% in 2021 to (13.4%) in the six months ended June 30, 2022, primarily due to the change of our net profit of RMB826.7 million in 2021 to net loss of RMB260.8 million in the six months ended June 30, 2022.

The return on equity ratio decreased from 66.9% in 2020 to 31.2% in 2021, primarily due to increases in our retained earnings and other reserves from capital injection.

The return on equity ratio decreased from 135.6% in 2019 to 66.9% in 2020, primarily due to an increase of our equity of RMB818.1 million due to an increase in our retained earnings related to our significant profit growth in 2020.

Current Ratio and Quick Ratio

The current ratio decreased from 2.38 as of December 31, 2021 to 2.25 as of June 30, 2022 and the quick ratio decreased from 1.90 as of December 31, 2021 to 1.89 as of June 30, 2022, primarily due to an increase of RMB157.2 million in our current liabilities mainly attributable to an increase of RMB285.8 million in our secured borrowings from bank (current portions), while our current assets increased slightly by 6.3% in the six months ended June 30, 2022.

The current ratio increased from 1.59 as of December 31, 2020 to 2.38 as of December 31, 2021 and the quick ratio increased from 1.13 as of December 31, 2020 to 1.90 as of December 31, 2021, primarily due to an increase of RMB710.2 million in our term deposits with initial term of over three months (current portions), while our current liabilities increased by 7.5% in 2021.

The current ratio increased from 1.38 as of December 31, 2019 to 1.59 as of December 31, 2020 and the quick ratio increased from 0.87 as of December 31, 2019 to 1.13 as of December 31, 2020, primarily due to an increase of our current assets of 71.3% in 2020, mainly attributable to an increase of RMB383.7 million in our current financial assets at fair value through profit or loss in 2020, while our current liabilities increased by 48.4% in 2020.

Gearing Ratio

The gearing ratio increased from 12.5% as of December 31, 2021 to 19.8% as of June 30, 2022, primarily due to an increase in our secured borrowings from bank.

The gearing ratio decreased from 24.1% as of December 31, 2020 to 12.5% as of December 31, 2021, primarily due to an increase in our retained earnings and other reserves from capital injection in 2021.

The gearing ratio increased from 16.9% as of December 31, 2019 to 24.1% as of December 31, 2020, primarily because we obtained a working capital loan of RMB200.0 million from a Chinese commercial bank.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risk (interest rate, currency risk and other price risk), credit risk and liquidity risk.

Market Risk

Market risk comprises two types of risks, which arise from recognized financial assets and liabilities not denominated in the functional currency (foreign exchange risk) and interest income/costs from cash and cash equivalents and borrowing as a result of changes in interest rates (interest rate risk). See note 3.1(a) of Appendix I to this prospectus.

Foreign exchange risk

Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of the respective group entities. Our Group manages its foreign exchange risk by minimizing non-functional currency transactions.

Our Group mainly operates in China with most of the transaction settled in RMB. The functional currencies of the subsidiaries in mainland is RMB, while the functional currency of our Company and subsidiaries outside mainland of China is HKD or USD. Both the entities in and outside mainland of China have assets and liabilities like cash at bank and other major licensed payment institution, restricted cash, term deposits with initial term over three months are denominated in USD, and HKD. Foreign exchange risk arises from the fluctuation in exchange rate.

Our Group has continued to closely track and manage its exposure to fluctuation in foreign exchange rates confronted by the majority of our Group's deposits denominated in foreign currencies during the Track Record Period. Our Group did not enter into any forward contract to manage its exposure to foreign exchange risk for the Track Record Period.

Interest rate risk

Our Group's income and operating cash flows are substantially independent from changes in market interest rate. Borrowings carried at floating rates expose our Group to cash flow interest-rate risk, which is partially offset by cash held at variable rates, whereas borrowings carried at fixed rates expose our Group to fair value interest-rate risk.

Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to our Group. Our Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

Credit risk is managed on a group basis. The credit risk of our Group's financial assets, which mainly comprise cash and cash equivalents, restricted cash, term deposits with initial term over three months, trade receivables, other receivables and financial assets at fair value through profit or loss, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of our Group's trade receivables and other receivables have no collateral.

Our Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

See note 3.1(b) of Appendix I to this prospectus.

Liquidity Risk

To manage the liquidity risk, our Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Company's operation and mitigate the effects of fluctuations cash flows. Our Company expects to fund its future cash flow needs through internally generated cash flows from operations.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 30 of Appendix I to this prospectus. Generally, there is no specific credit period granted by the suppliers but the related payables are normally expected to be settled within one year after receipt of goods or services.

See note 3.1(c) of Appendix I to this prospectus.

DIVIDEND

We paid dividends of RMB308.1 million, RMB1.4 million, RMB596.0 million and nil, respectively, in 2019, 2020, 2021 and the six months ended June 30, 2022.

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Distribution of dividends is subject to the discretion of our Board and, if necessary, the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant. Subject to applicable laws and regulations, our dividend policy is to distribute to our Shareholders no less than 25% of our distributable profits for any particular year after the Listing. We cannot assure you that we will be able to distribute dividends of the above amount or

any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

Any declaration and payment as well as the amount of dividend will be subject to our constitutional documents and the Cayman Companies Act. We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will depend on the availability of dividends received from our subsidiaries and other reserves lawfully available for distribution. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

DISTRIBUTABLE RESERVES

As of June 30, 2022, our Company had a distributable reserve of RMB608.8 million.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2021 and based on the consolidated net tangible assets attributable to the owners of our Company as at June 30, 2022 as shown in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma 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 the financial position of our Group had the Global Offering been completed as at June 30, 2022 or at any future date.

	Audited consolidated net tangible assets attributable to the owners of our Company as of June 30, 2022	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company as of June 30, 2022	Unaudited pro forma adjusted consolidated net tangible assets per share	
	Note 1	Note 2		Note 3	Note 4
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on the Offer Price of HK$9.36 per share after a Downward Offer Price Adjustment of 10%	4,122,734	769,605	4,892,339	2.08	2.27
Based on the Offer Price of HK$10.40 per share	4,122,734	857,707	4,980,441	2.12	2.31
Based on the Offer Price of HK$11.40 per share	4,122,734	942,420	5,065,154	2.15	2.35

(1) The audited consolidated net tangible assets attributable to the owners of our Company as of June 30, 2022 is extracted from the Accountant's Report set forth in Appendix I to the prospectus, which is based on the audited consolidated net assets attributable to the owners of our Company as of June 30, 2022 of RMB4,136,090,000 with an adjustment for the intangible assets attributable to the owners of our Company as of June 30, 2022 of RMB13,356,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$10.40 and HK$11.40 per share and also based on the Offer Price of HK$9.36 per share after making a Downward Offer Price Adjustment of 10% after deduction of the estimated underwriting fees and other related expenses payable by our Company (excluding RMB42,776,000 which had been charged to the consolidated statements of profit or loss up to June 30, 2022), and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per share are determined after the adjustments as described in note (2) above and on the basis that 2,351,145,578 shares are in issue, assuming the Global Offering had been completed on June 30, 2022 but takes no account of any shares which may fall to be issued upon the exercise of the Over-Allotment Option.

(4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.9164. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2022.

LISTING EXPENSE

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We expect to incur listing expenses of approximately HK$115.3 million (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised), of which approximately HK$46.3 million will be directly attributable to the issue of our Shares and deducted from equity, and the remaining HK$69.0 million will be expensed in our consolidated statements of profit or loss. The listing expense is expected to account for 11.0% of gross proceeds from the Global Offering. Our Directors do not expect such expenses to materially impact our results of operations in 2022.

The following table sets forth the breakdown of listing expenses by nature.

Listing fee breakdown	**Total Amount**	
	(assuming the Over-allotment Option is not exercised)	**(assuming the Over-allotment Option is fully exercised)**
	(HKD in millions)	
Underwriting fees	42.0	48.3
Non-underwriting fees	73.3	73.4
Professional fees	49.7	49.7
Non-professional fees	23.6	23.7

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

FUTURE PLANS

See "Business – Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$935.5 million from the Global Offering, after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, assuming the Offer Price of HK$10.90 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) and assuming that the Over-allotment Option is not exercised.

Assuming that the Offer Price is fixed at HK$10.90 per Offer Share (being the mid-point of the indicative Offer Price range), we intend to use the net proceeds from the Global Offering for the following purposes:

- approximately 57.0% of the net proceeds (approximately HK$533.2 million) will be used to expand and upgrade our production facilities and supply chain system, to improve our production capacity and warehousing management and product quality in the next three to five years. In particular:

  (i) According to Frost & Sullivan Report, the market size for spicy snack food in China is expected to reach approximately RMB273.7 billion in 2026 at a CAGR of 9.6% from 2021 to 2026. Major market drivers include increasing disposable income and purchasing power of consumers, popularity of spicy cuisine, growing consumer base across various age groups, and more diversified consumption occasions and increasing consumption frequency. We plan to seize the market potentials by continuing to enhance the core competency of our products, devote to brand building, enhance consumer engagement, increase the breadth and depth of our distribution network, and improve our operating efficiencies. Assuming continuous production at our current four production plants with an 80% utilization rate, the market demands for our seasoned flour products, vegetable products, and certain of our bean-based and other products will exceed our production capacity in 2022. We will engage in production expansion to meet the market demands; approximately 50.0% of the net proceeds (approximately HK$467.7 million) will be used to construct new plants, and expand and upgrade our existing plant to increase the production capacities by 176,745 tons, with the production capacities of our seasoned flour products increasing by 90,000 tons, of our vegetable products increasing by 72,000 tons, and of our bean-based and other products, including new products such as our spicy meat products, potato-based products, and egg-based products, increasing by 14,745 tons to meet the consumers' increasing demand for our products, including:

     a. approximately 28.7% of the net proceeds (approximately HK$268.5 million) will be used to construct new plants: (a) approximately 9.9% of the net proceeds (approximately HK$92.6 million) will be used for land purchase, plants construction, equipment procurement, and other general expenditures in relation with the construction of the new plant in eastern China. We expect to start the construction for

our new plant in eastern China in 2025, which is expected to be fully operational by 2028. The forecast payback period is approximately three years, and the forecast break even period is approximately one year after the plants become operational; In our forecast payback period and forecast break even period estimates, we have assumed that: (1) the optimal utilization rate will be 80%. We schedule downtimes for maintenance and repairs and regular inspections of production facilities and equipment to prolong their useful lives. We also carry out routine cleaning and maintenance of our production equipment. According to Frost & Sullivan Report, generally, the utilization rate in the snack food industry would range between 75% to 85% for the leading players; (2) we will purchase land upon which production plants will be built. This plant is expected to increase the output of our seasoned flour products, vegetable products and bean-based and other products by 59,400 tons each year; and (b) approximately 18.8% of the net proceeds (approximately HK$175.9 million) will be used in construction of a new plant in Qujing, Yunnan, which is scheduled to start initial production by 2023 and is expected to be fully operational by 2025. The forecast payback period for our Yunnan Qujing Plant is approximately three to four years, and the forecast break even period is approximately one year after the plant becomes fully operational. In our forecast payback period and forecast break even period estimates, we have assumed that the utilization rate will be 80% for the aforementioned reasons. This plant is expected to increase the output of our seasoned flour products and vegetable products by 59,400 tons each year;

b. approximately 21.3% of the net proceeds (approximately HK$199.3 million) will be used for the expansion and upgrade of our Luohe Xinglin Plant, which is expected to become fully operational by 2023. The forecast payback period for our Luohe Xinglin Plant is approximately five years, and the forecast break even period is approximately one year after the plant becomes fully operational. In our forecast payback period and forecast break even period estimates, we have assumed that the utilization rate will be 80% for the aforementioned reasons. This plant is expected to increase the output of our vegetable products and bean-based and other products by 57,945 tons per year;

(ii) approximately 2.9% of the net proceeds (approximately HK$27.1 million) will be used to upgrade our production equipment, mainly including the introduction of automation equipment for seasoned flour products and vegetable products, such as automatic seasoning-mixing systems and automatic packaging systems;

(iii) approximately 4.1% of the net proceeds (approximately HK$38.4 million) will be used to improve automation and intelligence of our warehousing equipment and system and improve the distribution network layout according to the sales of the target market, such as setting up three regional distribution centers (RDC) in key cities in Northeastern China, Southwestern China and Southern China to shorten the delivery time. We also aim to achieve automation and intelligence of all key steps during the warehousing processes. For

example, we will use the warehouse management system (WMS) to manage receiving and dispatching products as well as inventory management, the transportation management system (TMS) to manage logistics arrangements and tracking delivery information, and the warehouse control system (WCS) to integrate the use of smart warehouse management system and automated hardware, including automated robotic arms, adjustable conveyors and automated guided vehicles (AGV).

- approximately 15.0% of the net proceeds (approximately HK$140.3 million) will be used to further expand our sales and distribution network in the next three to five years. See "Business – Our Sales Channels". In particular:

  (i) approximately 12.5% of the net proceeds (approximately HK$116.9 million) will be used to further improve and expand our distribution channels, in particular: (i) cooperate with more quality offline distributors and to establish more liaison offices in selected cities, and assist offline distributors to visit key retail points of sale and enhance their management capabilities of retail points of sale to improve product sales by increasing the visibility of our products and (ii) increase investment for long-term product display at retail points of sale and increase offline advertising and marketing efforts such as purchasing shelf space for product display and conducting marketing activities for festivals so as to enhance product sales;

  (ii) approximately 2.5% of the net proceeds (approximately HK$23.4 million) will be used to further improve our proprietary sales management system over the next five years, primarily providing (a) sales data collection and analysis functions for us to understand the market demands more effectively, (b) visualized and customized sales guidelines and tools to enable our internal team to provide better instructions with respect to shelf space display and marketing promotion, and (c) more function modules for our distributors to track the activities of their sales specialists and the performance of their respective retail points of sale, as well as enhance their online services such as online order management and online billing activities.

- approximately 10.0% of the net proceeds (approximately HK$93.5 million) will be used for brand building in the next three to five years. It will be used for online brand marketing activities, such as text, audio and video content marketing activities for brand and product promotion, entertainment marketing activities (film, television advertising placement, sponsorship of popular variety shows), and social media interaction through various online platforms or websites to increase the communication frequency with target consumers, such as the co-promotion of spicy snack products with well-known internet celebrities, and co-branding initiatives.

- approximately 10.0% of the net proceeds (approximately HK$93.5 million) will be used for product research and development activities and enhancement of research and development capabilities in the next three to five years. See "Business – Our Research and Development".

  (i) Our main uses of approximately 4.0% of the net proceeds (approximately HK$37.4 million) include: (a) approximately 1.2% of the net proceeds (approximately HK$11.2 million) will be used for improving or upgrading our existing products, including research and

development activities on 1. products with different ingredients and nutrient content, such as products with reduced salt, reduced sugar, reduced oil, or higher content of dietary fibers, 2. adjustment and optimization of production techniques for existing products, including further automation of current production lines to achieve higher production efficiency and improvement of production processes to reduce scrap and associated costs, 3. adoption of more environmentally friendly packaging materials, such as recyclable materials, and new packaging styles for various consumption scenarios, and 4. measurement of key grading index in raw materials to select high quality and cost effective of raw materials to ensure the safety and stable high quality of our products; (b) approximately 0.6% of the net proceeds (approximately HK$5.6 million) will be used for launching new product varieties within existing product categories catering to differentiated consumption needs that have not been sufficiently served, including 1. selection, experiment and test of raw materials suitable for new product varieties considering different properties, such as texture and starch content, in relation with different types of raw materials, 2. in-house research and development of new food processing technologies, 3. collaboration with third parties to license or purchase new food processing technologies; and 4. development of proprietary tools and molds to accommodate production of new product varieties; (c) approximately 0.8% of the net proceeds (approximately HK$7.5 million) will be used for continuous research and development on products in our product pipelines, such as our spicy meat products, potato-based products, egg-based products, and bean-based products, including 1. further research and development on product performance and stability, 2. adjustment, upgrade and purchase of equipment and development of proprietary tools and molds for large-scale production, 3. trial production and pilot projects to conduct quantitative and qualitative consumer surveys, focus group studies, and market acceptance analysis, to achieve product optimization, which usually last approximately 2 years for products in the pipeline and 4. technology adjustment and upgrade, including further automation of production lines to achieve higher efficiency for large-scale production; and (d) approximately 1.4% of the net proceeds (approximately HK$13.1 million) will be used for expanding into new product categories according to our strategy to solidify our market position including 1. initial market survey and positioning research, 2. establishment of test platforms from small-scale laboratory to mid-scale production test for product formula, ingredients, and nutrients research and development, experiment and optimization, and 3. enlargement of product pipelines for new products;

(ii) approximately 2.0% of the net proceeds (approximately HK$18.7 million) will be used to introduce high-end technology talents, strengthen the R&D ability for new products, product improvement capability and frontier and fundamental research capabilities. To this end, we intend to expand our R&D team by around 100% to approximately 200 personnel in the next 5 years by hiring people with different background, including food processing and safety, food science and engineering, biological engineering, automation and control engineering, and chemistry. Currently, we plan to hire 10% personnel with PhD degrees to lead research and development projects, 80% personnel with master degrees, and 10% personnel with bachelor degrees;

(iii) approximately 2.0% of the net proceeds (approximately HK$18.7 million) will be used to establish our Weilong Research Institute, including strengthening project cooperation with universities and research institutes at home and abroad, and promoting the fundamental research of R&D. We will cover research and development in various fields including nutrition and food safety, raw material research, biological engineering, agricultural study, and packaging material researches, among others. Our Weilong Research Institute will be equipped with microbiology laboratories and physical properties testing laboratories, among others. We intend to apply to establish work stations of postdoctoral scientific researches at Weilong Research Institute;

(iv) approximately 1.0% of the net proceeds (approximately HK$9.4 million) will be used for the purchase of instrument and equipment, mainly for advanced instrument and equipment for research of products and raw materials, such as thermal analyzers for studying the properties of proteins and oils and scanning electron microscopes for imaging microstructures to facilitate our research activities;

(v) approximately 1.0% of the net proceeds (approximately HK$9.4 million) will be used to improve our product quality and safety management, mainly including investment in relevant hardware and software facilities and upgrades of food testing technologies.

- approximately 8.0% of the net proceeds (approximately HK$74.8 million) will be used to advance the digitization and intelligence of our business in the next three to five years:

(i) approximately 7.0% of the net proceeds (approximately HK$65.5 million) will be used for (a) digitization of production, supply chain, marketing, R&D, finance and quality, among others. Through external procurement and in-house development, we aim to establish and implement a cross-department operating system covering each critical step of our business process from procurement, production and sales to customer services and functional departments such as finance and human resource, to facilitate a closer collaboration between different departments, improve our operation efficiency as well as achieve more effective and comprehensive assessment of our works by setting multiple KPIs at the headquarter level; (b) the deployment and construction of mixed cloud, IaaS, PaaS and other IT infrastructure. We intend to improve our data storage and analysis capabilities through building our own cloud storage facilities as well as procuring cloud computing and storage services from IaaS and PaaS providers. We also plan to procure, install and upgrade software, hardware and other IT supporting facilities to support the expansion of our business; and (c) automation, intelligence and digitization of user operation;

(ii) approximately 1.0% of the net proceeds (approximately HK$9.4 million) will be used for the introduction of IT talents. We plan to recruit approximately 120 IT talents of various seniority levels by 2025, specialized in areas such as business and process architecture, product design, product development, product testing, consulting and implementation, project management, and data analysis with annual salaries ranging from RMB0.3 million to RMB1.9 million.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range or the Over-allotment Option is not exercised.

If the Offer Price is determined at HK$11.40 per Offer Share, being the high end of the Offer Price range stated in this prospectus, after deducting the underwriting fees and commissions and estimated expenses payable by us in respect with the Global Offering, we will receive net proceeds of approximately HK$981.7 million, assuming that the Over-allotment Option is not exercised.

If the Offer Price is determined at HK$10.40 per Offer Share, being the low end of the Offer Price range stated in this prospectus, after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, we will receive net proceeds of approximately HK$889.2 million, assuming that the Over-allotment Option is not exercised. If we make a Downward Offer Price Adjustment to set the Offer Price at HK$9.36 per Offer Share, the estimated net proceeds we will receive from the Global Offering (assuming that the Over-allotment Option is not exercised) will be further reduced by an additional amount of approximately HK$96.1 million.

If the Over-allotment Option is exercised in full, we will receive the additional net proceeds from approximately HK$144.2 million (assuming an Offer Price of HK$10.40 per Share, being the low end of the proposed Offer Price range) to HK$158.1 million (assuming an Offer Price of HK$11.40 per Share, being the high end of the proposed Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

To the extent that the net proceeds of the Global Offering 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 proceeds into short-term 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 the PRC). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

HONG KONG UNDERWRITERS AND INTERNATIONAL UNDERWRITERS

UBS AG Hong Kong Branch
Morgan Stanley Asia Limited
China International Capital Corporation Hong Kong Securities Limited
BNP Paribas Securities (Asia) Limited
Futu Securities International (Hong Kong) Limited
CCB International Capital Limited
Silverbricks Securities Company Limited
I Win Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 9,639,800 Hong Kong Offer Shares and the International Offering of initially 86,757,200 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the **GREEN** Application Form(s) relating thereto.

Subject to the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable portions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the **GREEN** Application Form relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by written notice from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors, if any of the events set forth below occur at any time prior to 8:00 a.m. on the Listing Date:

(1) there develops, occurs, exists or comes into effect:

(i) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international or regional emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of infectious disease, economic sanctions, strikes, labour disputes, other industrial actions, lock-outs, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, paralysis in government operation, public disorder, severe transport disruption, political instability, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or directly or indirectly affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, any member of the European Union, or any other jurisdictions relevant to any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or directly or indirectly affecting any of the Relevant Jurisdictions or elsewhere; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in the Cayman Islands, Singapore, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union, (or any member thereof) or any other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(v) any new laws, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authority of, existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of Sanctions (as defined in the Hong Kong Underwriting Agreement), or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies or a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or Renminbi is linked to any foreign currency) or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any Proceedings (as defined in the Hong Kong Underwriting Agreement) of any third party being threatened or instigated against any Director, member of the Group or the Controlling Shareholders; or

(ix) any change or development or event involving a prospective change, or a materialization of, any of the risk set out in the section headed "Risk Factors" in this prospectus; or

(x) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xi) other than with the prior written consent of the Joint Global Coordinators, the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or

(xii) a Director or member of senior management of the Company being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xiii) a contravention by any member of the Group or Director of the Listing Rules or applicable laws; or

(xiv) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of

arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators and the Joint Sponsors:

(i) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, Shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(ii) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Offer Shares in the secondary market; or

(iii) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or

(iv) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Global Coordinators and the Joint Sponsors:

(i) a Director or the chairman or chief executive officer or the chief financial officer or the chief operating officer of our Company vacating his/her office; or

(ii) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group, any Director or any director of any subsidiary of the Company or the chairman or the Controlling Shareholders; or

(iii) a prohibition on our Company or its Controlling Shareholders and/or any of the foregoing's respective affiliates for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including the Option Shares (as defined in the Hong Kong Underwriting Agreement)) pursuant to the terms of the Global Offering; or

(iv) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions taken as a whole; or

(v) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement or omission from any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(vi) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(vii) any event, act or omission which gives or is likely to give rise to any liability of any of the Company and the Controlling Shareholders Warrantors (as defined below) pursuant to the Hong Kong Underwriting Agreement; or

(viii) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(ix) any material breach of, or any event or circumstance rendering untrue or incorrect or misleading in any material respect, any of the Warranties (as defined in the Hong Kong Underwriting Agreement); or

(x) approval by the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares in issue or to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(xi) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(xii) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawal of its consent to being named in any of the Offering Documents or to the issue of any of the Offering Documents; or

(xiii) a material portion of the orders in the book-building process or the investment commitments by any cornerstone investors after signing of the Cornerstone Investment Agreements, have been withdrawn, terminated or canceled.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for certain circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, the group of our Controlling Shareholders have undertaken to the Hong Kong Stock Exchange that, he/it shall not, unless in compliance with the requirements of the Listing Rules,

(i) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; or

(ii) in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the preceding paragraph to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a group of Controlling Shareholders (as defined in the Listing Rules) of our Company.

Note 2 to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent the group of our Controlling Shareholders from using the Shares beneficially owned by it as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a *bona fide* commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, the group of our Controlling Shareholders have collectively further undertaken to the Hong Kong Stock Exchange and to our Company that within the period

commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:

(i) when he/it or the relevant registered holders pledge or charge any Shares beneficially owned by its in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when he/it or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company, has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the "**First Six-Month Period**"), our Company will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements set out in the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or repurchase or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe or purchase, any Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or any other securities of

our Company, or any shares, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares, as applicable, or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or

(iv) offer to or agree to, or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the foregoing transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by the delivery of Shares or such other equity securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in sub-paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of our Company. Each of the Controlling Shareholders Warrantors (as defined below) hereby undertakes to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the above undertakings by our Company.

Undertakings from Controlling Shareholders Warrantors

To facilitate the Global Offering, each of Mr. Liu Weiping, Mr. Liu Fuping, HH Global Capital, HH Green Philosophy and HH Innovation Group (collectively, the "Controlling Shareholders Warrantors" and each a "Controlling Shareholder Warrantor") has agreed and undertakes to each of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Stock Borrowing Agreement (where applicable), without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) save for the lending of Shares by HH Global Capital pursuant to the Stock Borrowing Agreement, he/it will not, and will procure any company, entity, nominees or trustees holding or controlling the Shares or any such other securities on his/its behalf not to, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any

Shares or any such other securities, as applicable or any interest in any of the foregoing) beneficially owned by him/it as at the Listing Date (the "**Locked-up Securities**") or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities, or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) he/it will not, until the expiry of the Second Six-Month Period, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

(iii) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in (a), (b) or (c) above or effects or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of the Company.

Indemnity

We and our Controlling Shareholders Warrantors have agreed to indemnify, among the others, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Undertakings by Certain of Our Shareholders

The Pre-IPO Investors (the "**Undersigned Shareholders**") have entered into a lock-up undertaking (the "**Lock-up Undertaking**") in favor of the Company, Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Pursuant to the Lock-up Undertaking, the Undersigned Shareholders are subject to lock-up arrangements and the lock-up period shall commence on the date of this Prospectus and ending on, and including, the date falling six months from the first day on which the Shares commence trading on the Stock Exchange with both dates inclusive, subject to certain exceptions as prescribed under the Lock-up Undertaking. The Lock-up Undertaking superseded all prior and contemporaneous agreements, negotiations, correspondence, undertakings and communications between the Company, Joint Sponsors, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Undersigned Shareholders, oral or written, with respect to the subject matter thereof, including the Lock-up Restriction as disclosed in the section headed "History and Reorganization – Pre-IPO Investments – Lock-up period" of this document.

Hong Kong Underwriters' Interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree to purchase, or procure subscribers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (for themselves and on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to an aggregate of 14,459,400 Shares, representing no more than 15.0% of the initial Offer Shares under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Hong Kong Underwriters will receive a gross underwriting commission equal to 3.0% of the Offer Price in respect of all the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering). Our Company may also in our sole discretion pay one or more of the Hong Kong Underwriters an additional discretionary incentive fee of up to 1.5% of the Offer Price for each Hong Kong Offer Share.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering (in such proportion as the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole discretion consider appropriate), the underwriting commission regarding such Hong Kong Offer Shares shall be reallocated to the International Underwriters (in such proportion as the Joint Global Coordinators in their sole discretion consider appropriate).

Our Company expects to pay the International Underwriters a gross underwriting commission equal to 3.0% of the Offer Price for all International Offer Share (including any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, each International Offer Share reallocated to the Hong Kong Public Offering and each Share to be issued pursuant to the Over-allotment Option, if any). Our Company may also in our sole and absolute discretion pay one or more of the International Underwriters an additional discretionary incentive fee of up to 1.5% of the Offer Price for each of the International Offer Shares.

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK$115.3 million (assuming an Offer Price of HK$10.90 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus), are payable and borne by our Company.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. For further details, see "Statutory and general information – E. Other information – 3. Joint Sponsors" in Appendix IV to this prospectus.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/ or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering." Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to reallocation and the Over-allotment Option):

(a) the Hong Kong Public Offering of 9,639,800 Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in "Structure of the Global Offering – The Hong Kong Public Offering" below; and

(b) the International Offering of 86,757,200 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S under the U.S. Securities Act as described in "– The International Offering" below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 4.1% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 0.61% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "– The International Offering – Over-allotment Option" below.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares under the International Offering. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in "– The Hong Kong Public Offering – Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 9,639,800 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.41% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in "– Conditions of the Global Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than the others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purpose only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking into account any adjustment in the number of the Offer Shares allocated between the Hong Kong Public Offering and the International Offering) is to be divided into two pools (with any odd lots being allocated to Pool A): Pool A and Pool B. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 4,820,000 and 4,819,800, respectively. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Offer Shares means the price

payable on application therein (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools.

Multiple or suspected multiple applications and any application for more than 4,819,800 Hong Kong Offer Shares (being approximately 50% of the 9,639,800 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of the Offer Shares offered under the Global Offering if the International Offer Shares are fully subscribed or oversubscribed and certain prescribed total demand levels are reached under the Hong Kong Public Offering as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 28,919,200 Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering (assuming the Overallotment Option is not exercised);

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 38,558,800 Shares, representing 40% of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised); and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 48,198,800 Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering (assuming the Overallotment Option is not exercised).

In addition, the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. In accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules for:

- if the International Offer Shares are fully subscribed or oversubscribed, and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering

- if the International Offer Shares are undersubscribed, and the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription)

the maximum total number of Shares that may be reallocated to the Hong Kong Public Offering shall be not more than 19,279,600 Shares, representing approximately 20% of the number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). The final price shall be fixed at the low end of the Offer Price range (that is, HK$10.40 per Offer Share) stated in this Prospectus or the downward adjusted final Offer Price if a Downward Offer Price Adjustment is made in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators in their sole discretion consider appropriate.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$11.40 per Offer Share in addition to the brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "– Pricing and Allocation" below, is less than the maximum price of HK$11.40 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of International Offer Shares Initially Offered

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, the International Offering will consist of an initial offering of 86,757,200 Offer Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "– Pricing and Allocation" and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of the Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the reallocation arrangement described in "– The Hong Kong Public Offering –

Reallocation," the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to an aggregate of 14,459,400 Shares, representing no more than 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 0.61% of our Company's enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to reduce and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be effected at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of the Shares in connection with the Global Offering, the Joint Global Coordinators, their affiliates or any person acting for it may cover such over-allocation by, amongst other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, or through the stock borrowing arrangement mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of the Shares which may be allotted and/or issued pursuant to the exercise in full of the Over-allotment Option, being 14,459,400 Shares, representing approximately 15.0% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) may choose to borrow up to 14,459,400 Shares

(being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option and representing approximately 15% of the number of Offer Shares initially available under the Global Offering) from HH Global Capital, pursuant to the Stock Borrowing Agreement, which is expected to be entered into by, among others, the Stabilizing Manager (or its affiliates or any person acting for it) and HH Global Capital on or about the Price Determination Date. If the Stock Borrowing Agreement with HH Global Capital is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (or its affiliates or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to HH Global Capital on the third business day following the earlier of (a) the last day the Over-allotment Option may be exercised, or (b) the day on which the Over-allotment Option is exercised in full, or (c) such earlier time as may be agreed in writing between HH Global Capital and the Stabilizing Manager from time to time. The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to HH Global Capital by the Stabilizing Manager (or its affiliates or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Thursday, December 8, 2022 and in any event no later than Friday, December 9, 2022 by agreement among the Joint Global Coordinators (on behalf of the Underwriters) and our Company. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$11.40 per Offer Share and is expected to be not less than HK$10.40 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment).**

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us by Friday, December 9, 2022 the Global Offering will not proceed and will lapse.

Announcement of Offer Price Reduction

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date. In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Company and the Stock Exchange at **www.weilongshipin.com** and **www.hkexnews.hk** an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Monday, December 14, 2022. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters) considers it appropriate and together with our Company's consent, the number of Offer Shares and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering:

(a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change;

(b) extend the period under which the Global Offering was open for acceptance to allow potential investors the sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the indicative

Offer Price range is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than approximately 15.0% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Global Coordinators but the number of Offer Shares to be offered in the Hong Kong Public Offering shall not in any event be less than approximately 15.0% of the total number of Offer Shares available under the Global Offering.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering) are estimated to be approximately HK$935.5 million, assuming an Offer Price of HK$10.90 per Offer Share, being the approximate mid-point of the proposed Offer Price range of HK$10.40 to HK$11.40.

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/ passport/ Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section "How to Apply for Hong Kong Offer Shares—14. Dispatch/ Collection of Share Certificates and Refund Monies". The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Wednesday, December 14, 2022 on the website of our Company (**www.weilongshipin.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to agreement on the Offer Price between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date.

We expect that our Company will enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn;

(b) the Offer Price having been agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Friday, December 9, 2022, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering on the website of our Company (**www.weilongshipin.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**). In such eventuality, all application monies will be returned, without interest, on the terms set forth "How to Apply for Hong Kong Offer Shares – 14. Dispatch/ Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in a separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and as mentioned in this prospectus.

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, December 15, 2022, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, December 15, 2022. The Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots of 200 Shares each. The stock code of the Shares will be 9985.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at http://www.weilongshipin.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

  (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

  (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System

(using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretions.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you are a firm, the application must be in the individual members' names.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of any Shares in the Company and/or any of its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

- have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);
- have a Hong Kong address; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals, please contact them for the items required for the application.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Cayman Companies Act, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/ or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed "– 14. Dispatch/Collection of Share Certificates and Refund Monies – Personal Collection'' in this section to collect the Share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider; and (b) you have due authority to give electronic application instructions on behalf of that other person as their agent.

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$
200	2,302.97	6,000	69,089.37	100,000	1,151,489.49	4,819,800(1)	55,499,490.44
400	4,605.96	7,000	80,604.26	200,000	2,302,978.98		
600	6,908.93	8,000	92,119.16	300,000	3,454,468.47		
800	9,211.92	9,000	103,634.05	400,000	4,605,957.96		
1,000	11,514.90	10,000	115,148.95	500,000	5,757,447.45		
1,200	13,817.87	20,000	230,297.90	600,000	6,908,936.94		
1,400	16,120.85	30,000	345,446.84	700,000	8,060,426.43		
1,600	18,423.83	40,000	460,595.79	800,000	9,211,915.92		
1,800	20,726.81	50,000	575,744.75	900,000	10,363,405.41		
2,000	23,029.79	60,000	690,893.70	1,000,000	11,514,894.90		
3,000	34,544.68	70,000	806,042.65	2,000,000	23,029,789.80		
4,000	46,059.58	80,000	921,191.59	3,000,000	34,544,684.70		
5,000	57,574.48	90,000	1,036,340.54	4,000,000	46,059,579.60		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Applicants who meet the criteria in "– 2. Who Can Apply" may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website at **www.hkeipo.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website at **www.hkeipo.hk**, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider through the **IPO App** or the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, December 5, 2022 until 11:30 a.m. on Thursday, December 8, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, December 8, 2022 or such later time under "– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, have not indicated or will not indicate an interest for, any Offer Shares under the International Offering nor otherwise participate in the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

***Time for Inputting Electronic Application Instructions*[(1)]**

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, December 5, 2022	**–**	**9:00 a.m. to 8:30 p.m.**
Tuesday, December 6, 2022	**–**	**8:00 a.m. to 8:30 p.m.**
Wednesday, December 7, 2022	**–**	**8:00 a.m. to 8:30 p.m.**
Thursday, December 8, 2022	**–**	**8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, December 5, 2022 until 12:00 noon on Thursday, December 8, 2022 (24 hours daily, except on Thursday, December 8, 2022 the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, December 8, 2022, the last application day or such later time as described in "– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application

instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this Prospectus and announcing results of allocation of the Hong Kong Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and our subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by the Company and the Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

Our Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this Prospectus or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/ CCASS Internet System for submission of electronic application instructions, they should go to HKSCC's Customer Service Center to complete an input request form for electronic application instructions before 12:00 noon on Thursday, December 8, 2022.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked "For Nominees", you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple / Suspected Multiple Applications ("Best Practice Note") issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed "Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS", the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$11.40 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 200 Hong Kong Offer Shares, you will pay HK$2,302.97.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the section headed "– 4. Minimum Application Amount and Permitted Numbers", or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy and AFRC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC and the AFRC respectively).

See "Structure of the Global Offering — Pricing and Allocation" for further details on the Offer Price.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and /or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 8, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, December 8, 2022 or if there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, December 14, 2022 on the Company's website at **www.weilongshipin.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.weilongshipin.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, December 14, 2022;

- from "IPO Results" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** (or **www.hkeipo.hk/IPOResult**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, December 14, 2022 to 12:00 midnight on Tuesday, December 20, 2022;

- from the results allocation telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, December 14, 2022 to Monday, December 19, 2022 on a business day (excluding Saturday, Sunday and Hong Kong public holiday);

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or our agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at **www.hkeipo.hk**;

- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 4,819,800 Hong Kong Offer Shares, being approximately 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$11.40 per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Wednesday, December 14, 2022.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to the arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or before Wednesday, December 14, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, December 15, 2022 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor

Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, December 14, 2022 or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, December 14, 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

(ii) If you apply through the CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, December 14, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "– 11. Publication of Results" above on Wednesday, December 14, 2022. You should check the announcement

published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 14, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, December 14, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, December 14, 2022.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagement 200 (the "HKSIR 200"), Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WEILONG DELICIOUS GLOBAL HOLDINGS LTD AND MORGAN STANLEY ASIA LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of WEILONG Delicious Global Holdings Ltd (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-107, which comprises the consolidated balance sheets as at December 31, 2019, 2020 and 2021 and June 30, 2022, the balance sheets of the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income/(loss), the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 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-4 to I-107 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 5, 2022 (the "Prospectus") in connection with the initial listing 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 Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's 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 ("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 accountant's judgment, 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 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 purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022 and the consolidated financial position of the Group as at December 31, 2019, 2020 and 2021 and June 30, 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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-4 have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which contains information about the dividends paid by WEILONG Delicious Global Holdings Ltd in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
December 5, 2022

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integrated part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		For the year ended December 31,			For the six months ended June 30,	
	Notes	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000** *(unaudited)*	**RMB'000**
Revenue from contracts with customers	5	3,384,766	4,120,357	4,800,200	2,302,842	2,260,529
Cost of sales of goods	5, 8	(2,130,463)	(2,554,692)	(3,007,169)	(1,453,138)	(1,398,981)
Gross profit		1,254,303	1,565,665	1,793,031	849,704	861,548
Distribution and selling expenses	8	(281,265)	(370,975)	(520,613)	(262,610)	(269,487)
Administrative expenses	8	(138,204)	(201,096)	(359,110)	(140,446)	(220,704)
Net impairment (losses)/gains on financial assets	3.1	—	(600)	(303)	—	343
Other income, net	6	35,148	58,841	152,666	16,221	59,909
Other (losses)/gains, net	7	(1,744)	31,427	11,715	2,490	(598,655)
Operating profit/(loss)		868,238	1,083,262	1,077,386	465,359	(167,046)
Finance income	11	107	481	24,782	7,865	31,704
Finance costs	11	(3,215)	(5,785)	(5,536)	(1,967)	(7,971)
Finance (costs)/income, net	11	(3,108)	(5,304)	19,246	5,898	23,733
Share of net profit of associate accounted for using the equity method	13	1,378	379	—	—	—
Profit/(loss) before income tax		866,508	1,078,337	1,096,632	471,257	(143,313)
Income tax expense	14	(208,409)	(259,573)	(269,903)	(113,671)	(117,517)
Profit/(loss) for the year/period		658,099	818,764	826,729	357,586	(260,830)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (CONTINUED)

	Notes	For the year ended December 31,			For the six months ended June 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Profit/(loss) is attributable to:						
– Owners of the Company		658,099	818,764	826,729	357,586	(260,830)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (RMB)						
Basic earnings/(loss) per share	15	0.33	0.41	0.41	0.18	(0.13)
Diluted earnings/(loss) per share	15	0.33	0.41	0.41	0.18	(0.13)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Profit/(loss) for the year/period	658,099	818,764	826,729	357,586	(260,830)
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss					
– Exchange differences on translation of foreign operations	—	765	831	446	(8,090)
Items that may not be reclassified to profit or loss					
– Exchange differences on translation of the Company	—	—	(43,048)	(22,145)	57,152
Other comprehensive income/(loss) for the year/period, net of tax	—	765	(42,217)	(21,699)	49,062
Total comprehensive income/(loss) for the year/period	658,099	819,529	784,512	335,887	(211,768)
Total comprehensive income/(loss) for the year/period is attributable to:					
– Owners of the Company	658,099	819,529	784,512	335,887	(211,768)

CONSOLIDATED BALANCE SHEETS

	Notes	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Property, plant and equipment	17	371,141	663,522	964,449	1,418,054
Right-of-use assets	18	88,204	188,898	181,203	237,504
Intangible assets	19	3,716	1,685	9,740	13,356
Financial assets at fair value through profit or loss	3.3	—	50,000	—	—
Term deposits with initial term over three months	25	—	110,000	954,340	984,587
Deferred income tax assets	31	12,142	12,829	42,190	65,307
Investment accounted for using the equity method	13	22,395	—	—	—
Other non-current assets	22	60,387	53,488	52,402	26,352
Total non-current assets		557,985	1,080,422	2,204,324	2,745,160
Current assets					
Trade, other receivables and prepayments	21	136,832	246,777	319,007	262,773
Inventories	23	399,930	541,026	604,255	510,825
Financial assets at fair value through profit or loss	3.3	458,564	842,289	802,103	1,562,997
Restricted cash	24	1,553	12,106	294	165,000
Term deposits with initial term over three months	25	—	56,133	766,331	491,786
Cash and cash equivalents	24	88,994	161,740	494,275	180,855
Total current assets		1,085,873	1,860,071	2,986,265	3,174,236
Total assets		1,643,858	2,940,493	5,190,589	5,919,396

CONSOLIDATED BALANCE SHEETS (CONTINUED)

	Notes	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
		RMB'000	RMB'000	RMB'000	RMB'000
Liabilities					
Non-current liabilities					
Borrowings	30	—	—	64,000	137,300
Lease liabilities	18	17,311	11,110	7,170	4,046
Deferred income	28	13,945	117,662	160,316	196,606
Deferred income tax liabilities	31	11,672	11,506	33,662	32,682
Total non-current liabilities		42,928	140,278	265,148	370,634
Current liabilities					
Trade and other payables	29	401,388	462,114	593,855	506,557
Contract liabilities	5	189,837	233,251	180,583	145,565
Current income tax liabilities		49,333	72,848	77,417	72,941
Borrowings	30	137,720	393,366	396,112	681,870
Lease liabilities	18	8,501	6,372	7,545	5,739
Total current liabilities		786,779	1,167,951	1,255,512	1,412,672
Total liabilities		829,707	1,308,229	1,520,660	1,783,306
Net assets		814,151	1,632,264	3,669,929	4,136,090
Equity					
Share capital	26	—	—	137	148
Other reserves	27	79,653	166,564	1,481,512	2,208,492
Retained earnings		734,498	1,465,700	2,188,280	1,927,450
Equity attributable to owners of the Company		814,151	1,632,264	3,669,929	4,136,090
Total equity		814,151	1,632,264	3,669,929	4,136,090
Total equity and liabilities		1,643,858	2,940,493	5,190,589	5,919,396

BALANCE SHEETS OF THE COMPANY

	Notes	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Investments in subsidiaries	12	31,345	31,345	81,864	133,294
Total non-current assets		31,345	31,345	81,864	133,294
Current assets					
Trade, other receivables and prepayments	21	—	—	889,384	667,915
Financial assets at fair value through profit or loss	3.3	—	—	126,947	557,462
Cash and cash equivalents	24	—	—	178,750	33,922
Total current assets		—	—	1,195,081	1,259,299
Total assets		31,345	31,345	1,276,945	1,392,593
Liabilities					
Current liabilities					
Trade and other payables		713	714	8,252	10,458
Total current liabilities		713	714	8,252	10,458
Total liabilities		713	714	8,252	10,458
Net assets		30,632	30,631	1,268,693	1,382,135
Equity					
Share capital	26	—	—	137	148
Other reserves	27	30,632	30,631	1,276,588	2,011,658
Accumulated deficits		—	—	(8,032)	(629,671)
Equity attributable to owners of the Company		30,632	30,631	1,268,693	1,382,135
Total equity		30,632	30,631	1,268,693	1,382,135
Total equity and liabilities		31,345	31,345	1,276,945	1,392,593

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Attributable to equity holders of the Company			
		Share capital	Other reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2019		—	30,884	125,881	156,765
Comprehensive income					
Profit for the year		—	—	658,099	658,099
Total comprehensive income		—	—	658,099	658,099
Transactions with owners in their capacity as owners:					
Profit appropriation to statutory surplus reserves	27(c)	—	49,482	(49,482)	—
Deemed contribution from the Controlling Shareholders for shares transfer in connection with the Reorganization	27(b)	—	20,000	—	20,000
Deemed distribution to the Controlling Shareholders for shares transfer in connection with the Reorganization	27(b)	—	(20,713)	—	(20,713)
Total transactions with owners in their capacity as owners		—	48,769	(49,482)	(713)
Balance at December 31, 2019		—	79,653	734,498	814,151

	Notes	Attributable to equity holders of the Company			
		Share capital	Other reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2020		—	79,653	734,498	814,151
Comprehensive income					
Profit for the year		—	—	818,764	818,764
Other comprehensive income		—	765	—	765
Total comprehensive income		—	765	818,764	819,529
Transactions with owners in their capacity as owners:					
Profit appropriation to statutory surplus reserves	27(c)	—	86,146	(86,146)	—
Dividends declared	16	—	—	(1,416)	(1,416)
Total transactions with owners in their capacity as owners		—	86,146	(87,562)	(1,416)
Balance at December 31, 2020		—	166,564	1,465,700	1,632,264

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Notes	Attributable to equity holders of the Company			
		Share capital	Other reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2021		—	166,564	1,465,700	1,632,264
Comprehensive income/(loss)					
Profit for the year		—	—	826,729	826,729
Other comprehensive loss		—	(42,217)	—	(42,217)
Total comprehensive (loss)/income		—	(42,217)	826,729	784,512
Transactions with owners in their capacity as owners:					
Profit appropriation to statutory surplus reserves	27(c)	—	68,160	(68,160)	—
Capital injection	27(a)	137	3,600,554	—	3,600,691
Repurchase of shares in connection with Pre-IPO Investments	27(a)	—	(1,802,065)	—	(1,802,065)
Dividends declared	16	—	(560,000)	(35,989)	(595,989)
Share-based payments-value of employee services	27(d)	—	50,519	—	50,519
Treasury shares held for the RSU Scheme	27(e)	—	(3)	—	(3)
Total transactions with owners in their capacity as owners		137	1,357,165	(104,149)	1,253,153
Balance at December 31, 2021		137	1,481,512	2,188,280	3,669,929

	Notes	Attributable to equity holders of the Company			
		Share capital	Other reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2022		137	1,481,512	2,188,280	3,669,929
Comprehensive income/(loss)					
Loss for the period		—	—	(260,830)	(260,830)
Other comprehensive income		—	49,062	—	49,062
Total comprehensive income/(loss)		—	49,062	(260,830)	(211,768)
Transactions with owners in their capacity as owners:					
Capital injection	27(a)	11	—	—	11
Share-based payments-value of employee services	27(d)	—	49,107	—	49,107
Share-based payments related to Pre-IPO Investments	7(c)	—	628,811	—	628,811
Total transactions with owners in their capacity as owners		11	677,918	—	677,929
Balance at June 30, 2022		148	2,208,492	1,927,450	4,136,090

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to equity holders of the Company			
	Notes	**Share capital**	**Other reserves**	**Retained earnings**	**Total**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Balance at January 1, 2021		—	166,564	1,465,700	1,632,264
Comprehensive income/(loss)					
Profit for the period		—	—	357,586	357,586
Other comprehensive loss		—	(21,699)	—	(21,699)
Total comprehensive (loss)/income		—	(21,699)	357,586	335,887
Transactions with owners in their capacity as owners:					
Profit appropriation to statutory surplus reserves	27(c)	—	30,630	(30,630)	—
Capital injection	27(a)	137	3,600,554	—	3,600,691
Repurchase of shares in connection with Pre-IPO Investments	27(a)	—	(1,802,065)	—	(1,802,065)
Dividends declared	16	—	(560,000)	(35,989)	(595,989)
Share-based payments-value of employee services	27(d)	—	8,308	—	8,308
Treasury shares held for the RSU scheme	27(e)	—	(3)	—	(3)
Total transactions with owners in their capacity as owners		137	1,277,424	(66,619)	1,210,942
Balance at June 30, 2021 (unaudited)		137	1,422,289	1,756,667	3,179,093

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the year ended December 31, 2019	2020	2021	For the six months ended June 30, 2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from operations	32(a)	958,973	953,261	1,169,803	635,698	593,927
Interest paid		(5,053)	(9,965)	(14,312)	(8,695)	(9,374)
Interest received		107	481	11,120	1,897	10,880
Income taxes paid		(204,022)	(237,376)	(277,485)	(178,035)	(148,274)
Net cash generated from operating activities		750,005	706,401	889,126	450,865	447,159
Cash flows from investing activities						
Payments for acquisition of property, plant and equipment		(190,619)	(336,505)	(377,290)	(157,217)	(505,187)
Payment of intangible assets		(387)	(281)	(15,198)	(592)	(5,501)
One-off payment made for purchase of land-use-rights		—	(113,346)	—	—	(63,220)
Deposit payment related to land-use-rights		—	—	(6,000)	(6,000)	—
Return of deposit payment related to land-use-rights		—	—	—	—	2,000
Purchase of financial assets at fair value through profit or loss	3.3	(12,549,879)	(22,838,695)	(11,736,802)	(7,163,408)	(3,632,265)
Redemption of financial assets at fair value through profit or loss	3.3	12,105,293	22,441,567	11,854,404	7,638,114	2,920,722
Proceeds from disposal of property, plant and equipment		1,345	3,993	2,838	1,507	1,171
Increase in term deposits with initial term over three months		—	(166,133)	(2,375,658)	(675,807)	(475,480)
Redemption of term deposits with initial term of over three months		—	—	822,624	—	762,960
Net cash out for the settlement of forward contract	7	—	—	—	—	(5,238)
Dividends from investment accounted for using the equity method	13	1,022	1,097	—	—	—

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Notes	For the year ended December 31, 2019	2020	2021	For the six months ended June 30 2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Cash flows from investing activities (continued)						
Government grants received related to assets	28	14,371	106,977	50,065	30,000	38,231
Loans to third parties		(800)	—	—	—	—
Repayment of loans to third parties		100	700	200	—	200
Increase in restricted cash for financial products		—	—	—	(50,000)	(165,000)
Proceeds from disposal of investment accounted for using the equity method	7(b)	—	20,000	—	—	—
Cash disposed related to deemed disposal of a subsidiary	7(a)	—	(8,155)	—	—	—
Capital injection related to deemed disposal of a subsidiary	7(a)	—	(3,500)	—	—	—
Proceeds from disposal of remaining 30% equity interest in an associate	7(a)	—	13,500	—	—	—
Net cash used in investing activities		(619,554)	(878,781)	(1,780,817)	(383,403)	(1,126,607)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Notes	For the year ended December 31,			For the six months ended June 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Cash flows from financing activities						
Proceeds from bank borrowings		100,000	320,000	664,000	516,000	858,300
Borrowings from the companies controlled by the Controlling Shareholders	35	7,912	66,648	—	—	—
Repayments of bank borrowings		—	(100,000)	(520,000)	(520,000)	(500,000)
Repayments of borrowing from the companies controlled by the Controlling Shareholders	35	(8,359)	(31,002)	(73,366)	(73,366)	—
Deemed contribution from the Controlling Shareholders for shares transfer in connection with Reorganization	27(b)	20,000	—	—	—	—
Deemed distribution to the Controlling Shareholders for shares transfer in connection with the Reorganization	27(b)	(20,000)	—	—	—	—
Repayment to the Controlling Shareholders	35	—	—	(671)	(671)	—
Capital injection	27(a)	—	—	3,600,691	3,600,563	11
Repurchased of shares in connection with Pre-IPO Investments	27(a)	—	—	(1,802,065)	(1,802,065)	—
Dividends paid	16	(308,078)	(1,416)	(595,989)	(595,989)	—
Payments for listing expenses	21	—	—	(4,723)	(1,894)	(771)
Repayment the principal elements of lease liabilities		(9,168)	(8,625)	(7,401)	(4,051)	(3,861)
Net cash (used in)/generated from financing activities		(217,693)	245,605	1,260,476	1,118,527	353,679
Net (decrease)/increase in cash and cash equivalents		(87,242)	73,225	368,785	1,185,989	(325,769)
Cash and cash equivalents at the beginning of the year/period	24	176,236	88,994	161,740	161,740	494,275
Effects of exchange rate changes on cash and cash equivalents		—	(479)	(36,250)	(31,022)	12,349
Cash and cash equivalents at end of the year/period	24	88,994	161,740	494,275	1,316,707	180,855

1. General information, reorganization and basis of presentation

1.1. General Information

WEILONG Delicious Global Holdings Ltd (the "Company") was incorporated in the Cayman Islands on July 6, 2018 as an exempted company with limited liability under the Company Act (Cap 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the production and sale of spicy snack food (the "Listing Business") in the People's Republic of China ("PRC").

The ultimate holding company of the Company is HH Global Capital Ltd (和和全球資本有限公司, "HH Global Capital"). The directors of the Company consider the ultimate controlling party were Mr. Liu Weiping (劉衛平) and his brother Mr. Liu Fuping (劉福平) throughout the Track Record Period (the "Controlling Shareholders"), who are also the chairman and executive director of the board of the directors (the "Board") of the Company, respectively.

1.2. Reorganization

Prior to the incorporation of the Company and completion of the Group reorganization as described below ("Reorganization"), the Listing Business was carried out by Luohe Weilong Commerce Co., Ltd. (漯河市衛龍商貿有限公司, "Weilong Commerce") and its subsidiaries (Collectively the "Consolidated Affiliated Entities"). The Consolidated Affiliated Entities were incorporated in PRC and ultimately controlled by the Controlling Shareholders.

In preparation for the listing of the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent the Reorganization, pursuant to which the beneficial interests of the companies engaged in the Listing Business were transferred to the Company. Details of the Reorganization are set out below:

(i) On July 6, 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorized share capital of USD 50,000 divided into 5,000,000 shares with par value of USD 0.01 each. On the same date, 1 subscriber share was allotted and issued at par value to the initial subscriber and transferred from the initial subscriber to HH Global Capital which was incorporated by the Controlling Shareholders, and subsequently a total of 9,999 shares were issued and allotted at par value to HH Global Capital.

(ii) On July 9, 2018, HH Global Holdings Ltd (和和控股有限公司) was incorporated in the British Virgin Islands ("BVI") with an authorized share capital of USD 1 divided into 1 share with par value of USD 1 each, which was issued and allotted to the Company at par value on the same date.

(iii) On July 19, 2018, HH International Enterprise Limited (和和國際事業有限公司) was incorporated in Hong Kong as a limited liability company under the laws of the Hong Kong with a share capital of HKD 100 divided into 100 shares with par value of HKD 1 each, which was issued and allotted to HH Global Holdings Ltd at par value on the same date.

1. General information, reorganization and basis of presentation (continued)

1.2. Reorganization (continued)

(iv) On August 31, 2018, Luohe Hehe Foods Technology Co., Ltd. (漯河和和食品科技有限責任公司, "Luohe Hehe") was incorporated in the PRC by HH International Enterprise Limited as a wholly owned subsidiary with a register capital of USD 500,000.

(v) On September 5, 2018, Luohe Hehe, Shanghai Jiafeng Industrial Co., Ltd.(上海市嘉烽實業有限責任公司， "Shanghai Jiafeng") and Qorghas Liushi Equity Investment LLP (霍爾果斯劉氏股權投資合夥企業(有限合夥),"Qorghas Liushi") entered into a share transfer agreement, pursuant to which Shanghai Jiafeng and Qorghas Liushi transferred 90% shares and 9% shares of Weilong Commerce to Luohe Hehe at considerations of RMB 28,211,000 and RMB 2,821,000 respectively.

(vi) On January 22, 2019, Luohe Weilong Meiwei Foods Technology Development Co., Ltd (漯河衛龍美味食品科技發展有限責任公司, "Luohe Weilong Technology") was incorporated in PRC by the Controlling Shareholders with a registered capital of RMB 20,000,000. On June 24, 2019, Weilong Commerce and the Controlling Shareholders entered into a share transfer agreement, pursuant to which the Controlling Shareholders transferred the entire shares of Luohe Weilong Technology to Weilong Commerce at a consideration of RMB 20,000,000. There were no principal activities of Luohe Weilong Technology at that time.

(vii) On June 28, 2018, EFeng Capital Ltd (易豐資本有限公司, "EFeng Capital") was incorporated in the BVI by an individual owner. On July 10, 2018, EFeng Investment Development Limited (易豐投資發展有限公司, "EFeng Investment") was established as a wholly owned subsidiary of EFeng Capital. On August 6, 2018, EFeng Investment entered into a share transfer agreement with Qorghas Liushi, pursuant to which, EFeng Investment agreed to purchase and Qorghas Liushi agreed to sell the 1% equity interest of Weilong Commerce at a transfer consideration of approximately RMB 313,000 (the "Original Share Transfer"). To supplement to the Original Share Transfer, EFeng Investment, its ultimate individual owner and Qorghas Liushi also entered into a supplemental agreement, pursuant to which, Qorghas Liushi or its designated affiliate would have a right to repurchase the 100% equity interest of EFeng Capital, EFeng Investment and the 1% equity interest of Weilong Commerce at a transfer consideration of approximately RMB 713,000 within one year from date of the Original Share Transfer. On July 4, 2019, the individual owner transferred the 100% equity interest of EFeng Capital to the Company at a consideration of approximately RMB 713,000. During the Track Record Period, other than investment holding, there were no other principal activities of EFeng Capital and EFeng Investment.

Upon completion of the above Reorganization on July 4, 2019, the Company became the holding company of the subsidiaries now comprising the Group.

1. General information, reorganization and basis of presentation (continued)

1.2. Reorganization (continued)

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital	Equity interest held by the Company					Note
					As at December 31,			As at June 30,	As at the date of this report	
					2019	2020	2021	2022		
Directly held by the Company										
HH Global Holdings Ltd (和和控股有限公司)	2018-07-09	BVI	Investment holding	USD 1	100%	100%	100%	100%	100%	Note a
EFeng Capital Ltd (易豐資本有限公司)	2018-06-28	BVI	Investment holding	USD 1	100%	100%	100%	100%	100%	Note a
Indirectly held by the Company										
HH International Enterprise Limited. (和和國際事業有限公司)	2018-07-19	Hong Kong	International trading	HKD 100	100%	100%	100%	100%	100%	Note c
EFeng Investment Development limited (易豐投資發展有限公司)	2018-07-10	Hong Kong	Investment holding	HKD 100	100%	100%	100%	100%	100%	Note c
Luohe Hehe Foods Technology Co., Ltd. (漯河和和食品科技有限責任公司)	2018-08-31	Henan, PRC	Investment holding	USD 33,060,000	100%	100%	100%	100%	100%	Note b
Luohe Weilong Commerce Co., Ltd. (漯河市衛龍商貿有限公司)	2014-07-11	Henan, PRC	Trading of food	RMB 300,000,000	100%	100%	100%	100%	100%	Note b
Henan Weilong Foods E-commerce Co., Ltd. (河南衛龍食品企業電商發展有限公 司)	2017-07-12	Henan, PRC	Trading of food	RMB 30,000,000	100%	100%	100%	100%	100%	Note b
Luohe Weilong Meiwei foods Technology Development Co., Ltd (漯河衛龍美味食品科技發展有限責任公司)	2019-01-22	Henan, PRC	Trading of food	RMB 20,000,000	100%	100%	100%	100%	100%	Note b
Luohe Ping Ping Foods Co., Ltd. (漯河市平平食品有限責任公司)	2004-09-09	Henan, PRC	Manufacturing and sale of food	RMB 120,000,000	100%	100%	100%	100%	100%	Note b
Luohe Qinzui Foods Co., Ltd. (漯河親嘴食品有限公司)	2010-06-24	Henan, PRC	Manufacturing and sale of food	RMB 30,000,000	100%	100%	100%	100%	100%	Note b
Luohe Weilai Foods Technology Co., Ltd. (漯河衛來食品科技有限公司)	2013-11-11	Henan, PRC	Manufacturing and sale of food	RMB 30,000,000	100%	100%	100%	100%	100%	Note b
Luohe Lewei Seasoning Processing Co., Ltd. (漯河市樂味調味品加工有限公司)	2017-07-31	Henan, PRC	Manufacturing and sale of food	RMB 20,000,000	100%	100%	100%	100%	100%	Note b

1. General information, reorganization and basis of presentation (continued)

1.2. Reorganization (continued)

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital	Equity interest held by the Company					Note
					As at December 31,			As at June 30,	As at the date of this report	
					2019	2020	2021	2022		
Luohe Lewei Agricultural Foods Processing Co., Ltd. (漯河樂味農產品加工有限公司)	2017-07-31	Henan, PRC	Manufacturing and sale of food	RMB 50,000,000	100%	100%	100%	100%	100%	Note b
Luohe Delong Color Printing Development Co., Ltd. (漯河市德龍彩印發展有限公司)	2017-07-31	Henan, PRC	Manufacturing packaging materials	RMB 10,000,000	100%	—	—	—	—	Note b, d
Luohe Weidao Foods Technology Co., Ltd. (漯河衛到食品科技有限公司)	2018-07-11	Henan, PRC	Manufacturing and sale of food	RMB 250,000,000	100%	100%	100%	100%	100%	Note b
Zhumadian Weilai Foods Co., Ltd. (駐馬店衛來食品有限公司)	2017-07-20	Henan, PRC	Manufacturing and sale of food	RMB 10,000,000	100%	100%	100%	100%	100%	Note b
Xinzheng Pingping Foods Co., Ltd. (新鄭市平平食品有限責任公司)	2018-08-27	Henan, PRC	Manufacturing and sale of food	RMB 10,000,000	100%	100%	—	—	—	Note b
Hangzhou Weilong Commerce Co., Ltd (杭州衛龍貿易有限責任公司)	2018-01-03	Zhejiang, PRC	Trading of food	RMB 3,000,000	100%	100%	100%	100%	—	Note b
Chuxiong Weilong Foods Co., Ltd. (楚雄衛龍食品有限公司)	2019-08-13	Yunnan, PRC	Manufacturing and sale of food	RMB 1,000,000	100%	100%	100%	100%	100%	Note b
Qingdao Weilong Foods Co., Ltd. (青島衛龍食品有限公司)	2019-09-27	Shandong, PRC	Trading of food	RMB 1,000,000	100%	100%	100%	100%	100%	Note b
Luohe Xinglin Foods Co., Ltd. (漯河杏林食品有限公司)	2019-12-25	Henan, PRC	Trading of food	RMB 200,000,000	100%	100%	100%	100%	100%	Note b
Luohe Weilong Biotechnology Co., Ltd. (漯河市衛龍生物技術有限公司)	2020-06-12	Henan, PRC	Research & Development	RMB 1,000,000	—	100%	100%	100%	100%	Note b
Shanghai Weilong Meiwei Biotechnology Co., Ltd. (上海衛龍美味生物科技有限公司)	2020-05-18	Shanghai, PRC	Research & Development	RMB 1,000,000	—	100%	100%	100%	100%	Note b
Shanghai Weilong Meiwei International Commerce Co., Ltd. (上海衛龍美味國際商貿有限責任公司)	2020-05-18	Shanghai, PRC	Trading of food	RMB 1,000,000	—	100%	100%	100%	100%	Note b
Shanghai Weilong Information Technology Co., Ltd. (上海衛龍信息技術有限公司)	2021-01-22	Shanghai, PRC	International trading	USD 2,000,000	—	—	100%	100%	100%	Note b

1. General information, reorganization and basis of presentation (continued)

1.2. Reorganization (continued)

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital	Equity interest held by the Company					Note
					As at December 31,			As at June 30,	As at the date of this	
					2019	2020	2021	2022	report	
Nanning Weilai Commerce Co., Ltd. (南寧市衛來商貿有限公司)	2021-02-05	Guangxi, PRC	Trading of food	RMB 1,000,000	—	—	100%	100%	100%	Note b
Weilong Foods (Luliang) Co., Ltd. (衛龍食品(陸良縣)有限公司)	2021-02-19	Yunnan, PRC	Manufacturing and sale of food	RMB 100,000,000	—	—	100%	100%	100%	Note b
Shanghai Weilong Digital Technology Co., Ltd (上海衛龍數字科技有限公司)	2021-05-26	Shanghai, PRC	International trading	RMB 5,000,000	—	—	100%	100%	100%	Note b
Xinyi Weidao Commerce Co., Ltd (新沂衛到商貿有限公司)	2021-05-27	Jiangsu, PRC	Trading of food	RMB 1,000,000	—	—	100%	100%	100%	Note b
Shanghai Weidao Trade Co., Ltd (上海衛到貿易有限責任公司)	2021-12-20	Shanghai, PRC	International trading	RMB 1,000,000	—	—	100%	100%	100%	

Note a: No audited financial statements have been prepared for these companies, as there is no statutory audit requirement under the applicable law in the places of incorporation of these entities.

Note b: The statutory financial statements of these subsidiaries established in the PRC were prepared in accordance with relevant accounting standards applicable to the PRC enterprises and audited by Henan Jinyang Accounting Firm (General Partnership) (河南金陽會計師事務所(普通合夥)) for the year ended December 31, 2019, audited by Luohe Huishen Accounting Firm Co., Ltd. (漯河匯審會計師事務所有限公司) and Inner Mongolia Guoxin Xinghua Certified Public Accountants Co., Ltd. (內蒙古國信興華會計師事務所有限責任公司) for the year ended December 31, 2020, and audited by Luohe Huishen Accounting Firm Co., Ltd. (漯河匯審會計師事務所有限公司) and Shanghai HeLets Certified Public Accountants GP (上海核力會計師事務所(普通合夥)) for the year ended December 31, 2021.

Note c: The statutory financial statements of these subsidiaries established in the Hong Kong were prepared in accordance with relevant accounting standards applicable to the Hong Kong enterprises and audited by Pivot CPA Limited for the period from date of incorporation to December 31, 2020 and for the year ended December 31, 2021.

Note d: On March 18, 2020, 70% shares of Luohe Delong Color Printing Development Co., Ltd. (漯河市德龍彩印發展有限公司, "Delong Color Printing") was transferred to a third party. In May 2020, the remaining 30% shares was sold to the Controlling Shareholders (Note 7(a)).

* The English name of certain subsidiaries referred to above represent the best efforts made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

1. General information, reorganization and basis of presentation (continued)

1.3. Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business has been conducted by the Consolidated Affiliated Entities. Pursuant to the Reorganization, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a recapitalisation of the Listing Business with no change in management of such business and owners remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business under Weilong Commerce and for the purpose of this report, the Historical Financial Information of the companies now comprising the Group is presented using the carrying values of the Listing Business under Weilong Commerce for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

2. Summary of significant accounting policies

This note provides a list of significant accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1. Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through profit or loss.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, including IFRS 9 Financial Instruments ("IFRS 9") and IFRS 15 Revenue from Contracts with Customers ("IFRS 15") which are mandatory for the financial year beginning January 1, 2018 and IFRS 16 Leases ("IFRS 16") which is mandatory for the financial year beginning January 1, 2019, are consistently applied to the Group throughout the Track Record Period.

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published and are not effective for financial year beginning on January 1, 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

New Standards, interpretations and amendments		Effective date
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

2.2. Principles of consolidation and equity accounting

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations not under common control by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Historical Financial Information.

2. Summary of significant accounting policies (continued)

2.2. Principles of consolidation and equity accounting (continued)

(b) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below) after initially being recognized at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial

2. Summary of significant accounting policies (continued)

2.2. Principles of consolidation and equity accounting (continued)

(d) Changes in ownership interests (continued)

carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.3. Business combinations

(a) Business combinations

The Group applies the acquisition method of accounting for business combinations not under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,

2. Summary of significant accounting policies (continued)

2.3. Business combinations (continued)

(a) Business combinations (continued)

- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2.4. Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM").

The Board of the Company assesses the financial performance and position of the Group, and makes strategic decisions. The board of directors, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

2. Summary of significant accounting policies (continued)

2.6. Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is HK Dollar ("HKD"), while Group's presentation is presented in Renminbi ("RMB").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year/period end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within "Finance (costs)/income, net". All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within "Other (losses)/gains, net".

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2. Summary of significant accounting policies (continued)

2.6. Foreign currency translation (continued)

(c) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation less impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the consolidated statements of profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line depreciation method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

• Buildings	20 years
• Machinery	10 years
• Vehicles	3-5 years
• Furniture and office equipment	5 years
• Electronic equipment	3 years
• Building improvement and decoration	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other (losses)/gains, net" in the statement of profit or loss.

2. Summary of significant accounting policies (continued)

2.8. Intangible assets

(a) Software

Costs associated with maintaining software programmers are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

(b) Research and development

Research expenditure and development expenditure that do not meet the criteria in (a) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(c) Amortization methods and periods

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

- Software 3-10 years

2. Summary of significant accounting policies (continued)

2.9. Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets with definite life but not ready for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10. Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2. Summary of significant accounting policies (continued)

2.10. Investments and other financial assets (continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at financial assets at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2. Summary of significant accounting policies (continued)

2.10. Investments and other financial assets (continued)

(c) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, impairment is measured as lifetime expected loss.

For other receivables, impairment is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12. Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9; and

2. Summary of significant accounting policies (continued)

2.12. Financial guarantee contracts (continued)

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

2.13. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

2.14. Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.15. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other major licensed payment institution, and which are subject to an insignificant risk of changes in value.

2. Summary of significant accounting policies (continued)

2.16. Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the results of a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are canceled or reissued. When such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares allotted and issued under the restricted share units scheme ("RSU Scheme") is treated as treasury shares and deducted from contributed equity.

2.17. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.18. Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

2. Summary of significant accounting policies (continued)

2.18. Borrowings (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the Track Record Period.

2.19. Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.20. Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

2. Summary of significant accounting policies (continued)

2.20. Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.21. Employee benefits

(a) Liabilities for wages and salaries

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Pension and other obligations

The entities within the Group registered in the PRC make employee benefit contributions based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan, unemployment plan, work injury plan, maternity plan and medical benefit plan organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2. Summary of significant accounting policies (continued)

2.21. Employee benefits (continued)

(c) Housing provident fund

The PRC employees of the Group are also entitled to participate in various government-sponsored housing provident fund. The Group contributes on a monthly basis to those funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds is limited to the contributions payable in each period.

(d) Share-based payments

Share-based compensation benefits are provided to employees via the RSU Scheme. Information relating to the scheme is set out in Note 10.

Restricted Share Units ("RSUs") of the Group

For grant of RSUs, the total amount to be expensed is determined by reference to the fair value of the Group's shares at the grant date.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of RSUs that are expected to vest based on service condition. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Share-based payment transaction among group entities

The grant by the Company of share incentive plan over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

Modifications and Cancelations

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting year. A grant of share incentive awards, that is canceled or settled during the vesting year, is treated as an acceleration of vesting. The Group immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting year.

2. Summary of significant accounting policies (continued)

2.22. Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.23. Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

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 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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. No significant element of financing is deemed present as the sales are made with a prepayment or a credit term up to 90 days, which is consistent with market practice.

Sale of goods

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally upon the acceptance of the goods. The costs of transporting finished goods to a customer are recognized in distribution and selling expenses when occurred.

Some contracts for the sale of goods provide customers with rights of return, volume rebates and trade incentive. The rights of return, volume discounts and trade incentive give rise to variable consideration.

2. Summary of significant accounting policies (continued)

2.23. Revenue recognition (continued)

Rights of return

For contracts which provide a customer with a right of return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a liability is recognized. A right of return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Variable consideration: volume discounts

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Trade incentive – co-advertising services

The Group may enter into agreements with its customers in relation to product advertising and promotion, under which the customers will be entitled to an advertising allowance. If no distinct service can be identified, the amounts due by the Group to its customers would be deducted from revenue.

Contract liabilities

A contract liability is recognized when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognized as revenue when the Group satisfied the performance obligation under the contract (i.e., transfers control of the related goods to the customer).

2.24. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

2. Summary of significant accounting policies (continued)

2.24. Earnings/(loss) per share (continued)

(a) Basic earnings/(loss) per share (continued)

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25. Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

- amounts expected to be payable by the Group under residual value guarantees

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

2. Summary of significant accounting policies (continued)

2.25. Leases (continued)

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

2. Summary of significant accounting policies (continued)

2.25. Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

2.26. Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.27. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment and other non-current assets are included in non-current liabilities as deferred income and are recognized in profit or loss on a straight-line basis over the expected lives of the related assets. Note 28 provides further information on how the Group accounts for government grants.

2.28. Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 7 below.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets, see Note 11 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired

2. Summary of significant accounting policies (continued)

2.28. Interest income (continued)

financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3. Financial risk management

3.1. Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Track Record Period profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement
Market risk – foreign exchange	Recognized financial assets and liabilities not denominated in the functional currency	Cash flow forecasting, Sensitivity analysis
Market risk – interest rate	Interest income/costs from cash and cash equivalents and borrowing as a result of changes in interest rates	Sensitivity analysis
Credit risk	Cash and cash equivalents, restricted cash, term deposits with initial term over three months, financial assets at fair value through profit or loss, trade receivables and other receivables	Aging analysis Credit ratings
Liquidity risk	Borrowings and other liabilities	Maturity analysis

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently has not used any derivative financial instruments to hedge any of these financial risks.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of the respective group entities. The Group manages its foreign exchange risk by minimizing non-functional currency transactions.

The Group mainly operates in the PRC with most of the transaction settled in RMB. The functional currencies of the subsidiaries in mainland are RMB, while the functional currencies of the Company and subsidiaries outside mainland of the PRC are HKD or USD.

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Both the entities in and outside mainland of the PRC have assets and liabilities like cash at bank and other major licensed payment institution, restricted cash, term deposits with initial term over three months are denominated in USD and HKD. Foreign exchange risk arises from the fluctuation in exchange rate.

The Group has continued to closely track and manage its exposure to fluctuation in foreign exchange rates confronted by the majority of the Group's deposits denominated in foreign currencies during the Track Record Period.

Exposure

The exposure of the Group's foreign exchange risk at the end of the Track Record Period is as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Cash at bank and other major licensed payment institution				
USD (functional currency – HKD)	3	973	179,479	34,726
USD (functional currency – RMB)	—	30,842	119,016	24,522
HKD (functional currency – USD)	—	—	2	3
RMB (functional currency – USD)	—	—	1	5

The aggregate net foreign exchange losses recognized in profit or loss were:

	For the years ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
				(unaudited)	
Net foreign exchange (losses)/gains included in other (losses)/gains, net (Note 7)	(3)	(279)	(6,148)	(9,280)	12,285

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in USD/HKD, USD/RMB, HKD/USD and RMB/USD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments.

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Impact on post tax profit				
USD/HKD exchange rate – weaken 5%	—	(39)	(6,730)	(1,302)
USD/HKD exchange rate – strengthen 5%	—	39	6,730	1,302
USD/RMB exchange rate – weaken 5%	—	(1,157)	(4,463)	(920)
USD/RMB exchange rate – strengthen 5%	—	1,157	4,463	920
HKD/USD exchange rate – weaken 5%	—	—	—	—
HKD/USD exchange rate – strengthen 5%	—	—	—	—
RMB/USD exchange rate – weaken 5%	—	—	—	—
RMB/USD exchange rate – strengthen 5%	—	—	—	—

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rate. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk, which is partially offset by cash held at variable rates, whereas borrowings carried at fixed rates expose the Group to fair value interest-rate risk.

The exposure of the Group's borrowings to interest rate changes at the end of the Track Record Period is as follows :

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Variable rate borrowings	—	—	—	—
% of total borrowings	—	—	—	—

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

An analysis by maturities is provided in Note 30. The percentage of total loans shows the proportion of borrowings that are currently at variable rates in relation to the total amount of borrowings.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, if the interest rates of borrowing, cash and cash equivalents, restricted cash, and term deposits with initial term over three months had been increased/decreased by 50 basis points with all other variables held constant, the change of the post-tax profit would be disclosed as follows:

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Net profit increase/(decrease)				
– increase in interest rate	353	1,309	8,343	9,905
– decrease in interest rate	(353)	(1,309)	(8,343)	(9,905)

The majority of the Group's borrowings carried at fixed rates are repayable within one year and hence the group is not subject to any significant fair value interest rate risk.

(b) Credit risk

(i) Risk management

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

Credit risk is managed on a group basis. The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, restricted cash, term deposits with initial term over three months, trade receivables, other receivables and financial assets at fair value through profit or loss, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of the Group's trade receivables and other receivables have no collateral.

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

(ii) Impairment of financial assets

The Group has the following types of financial assets that are subject to the expected credit loss:

- cash and cash equivalents
- restricted cash
- term deposits with initial term over three months
- trade receivables, and
- other receivables

Cash and cash equivalents, restricted cash and term deposits with initial term over three months

As at December 31, 2019, 2020 and 2021 and as at June 30, 2022, all of the Group's cash and cash equivalents, restricted cash and term deposits with initial term over three months were held in state-owned or reputable commercial banks, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

Trade receivables

Trade receivables mainly represents the trade receivables from direct sale customers and several distributors for sale of spicy snack food. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at December 31, 2019 and 2020, the expected loss rates of trade receivables were minimal. As at December 31, 2021 and as at June 30, 2022,

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

the expected loss rates of trade receivables ranged from 0.03% to 4.57%. Thus, the loss allowance for trade receivables was not material during the year ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022.

Other receivables

Other receivables at the end of each reporting period were mainly deposits from third parties and loans to third parties. The Group applies the IFRS 9 general approach to measuring expected credit losses for all other receivables. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;

- actual or expected significant changes in the operating results of the counterparty;

- significant changes in the expected performance and behavior of the counterparty, including changes in the payment status of the counterparty.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where other receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis.

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

As at December 31, 2019, 2020 and 2021 and as at June 30, 2022, the expected loss rates of other receivables carried at amortized cost were minimal, except for loans to third parties of which the balances were not material as at each period end (Note 21(d)). Thus, the loss allowance for other receivables carried at amortized cost as at December 31, 2019, 2020 and 2021 and as at June 30, 2022 were not material.

(iii) Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to the investment in wealth management products, structured deposit and fund management products issued by reputable banks and other financial service institutions that are measured at fair value through profit or loss. The maximum exposure at December 31, 2019, 2020 and 2021 and at June 30, 2022 were RMB 458,564,000, RMB 892,289,000, RMB 802,103,000 and RMB 1,562,997,000, respectively.

Impairment losses on financial assets are recognized in profit or loss.

During the Track Record Period, the following losses were recognized in profit or loss in relation to financial assets:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Net impairment losses on financial assets at the beginning of the year/period (Note 21)	200	200	800	800	903
Movement in loss allowance for trade receivables	—	—	429	—	(138)
Movement in loss allowance for other receivables	—	600	74	—	(5)
Receivables written off during the year/ period as uncollectible for other receivables	—	—	(200)	—	—
Receivables written off during the year/ period as uncollectible for trade receivables	—	—	—	—	(94)
Unused amount reversed for other receivables	—	—	(200)	—	(200)
Net impairment losses on financial assets at the end of the year/period (Note 21)	200	800	903	800	466

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(c) Liquidity risk

(i) Maturities of financial liabilities

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operation and mitigate the effects of fluctuations cash flows. The Company expects to fund its future cash flow needs through internally generated cash flows from operations.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 30. Generally, there is no specific credit period granted by the suppliers but the related payables are normally expected to be settled within one year after receipt of goods or services.

As at December 31, 2019, 2020 and 2021 and as at June 30, 2022, the Group has cash and cash equivalents, term deposits with initial term of over three months, financial assets at fair value through profit or loss and trade receivables of RMB 566,173,000, RMB 1,260,906,000, RMB 3,073,172,000 and RMB 3,274,558,000, respectively that can be used for fulfillment obligation or used in operation to generate cash inflows.

The directors of the Company closely monitor the Company's cash flow projections, which cover a period of not less than twelve months from June 30, 2022 to enable it to meet its liabilities and obligations as of the date of this reporting.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows during the Track Record Period.

The Group

	Less than 1 year	Between 1-2 years	Between 2-3 years	Over 3 years	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As at December 31, 2019					
Borrowings	138,822	—	—	—	138,822
Trade and other payables (excluding non-financial liabilities)	244,479	—	—	—	244,479
Lease liabilities	8,934	6,316	5,263	6,704	27,217
	392,235	6,316	5,263	6,704	410,518

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(c) Liquidity risk (continued)

(i) Maturities of financial liabilities (continued)

The Group (continued)

	Less than 1 year	Between 1-2 years	Between 2-3 years	Over 3 years	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As at December 31, 2020					
Borrowings	395,713	—	—	—	395,713
Trade and other payables (excluding non-financial liabilities)	257,330	—	—	—	257,330
Lease liabilities	7,405	6,335	3,730	883	18,353
	660,448	6,335	3,730	883	671,396
As at December 31, 2021					
Borrowings	399,642	2,631	3,264	67,743	473,280
Trade and other payables (excluding non-financial liabilities)	355,790	—	—	—	355,790
Lease liabilities	8,086	4,727	2,565	1,350	16,728
	763,518	7,358	5,829	69,093	845,798
As at June 30, 2022					
Borrowings	693,043	6,897	7,541	137,568	845,049
Trade and other payables (excluding non-financial liabilities)	275,372	—	—	—	275,372
Lease liabilities	6,066	2,252	997	997	10,312
	974,481	9,149	8,538	138,565	1,130,733

3.2. Capital management

The capital structure of the Group consists of net cash, which includes cash and cash equivalents, financial assets at fair value through profit or loss, restricted cash, term deposits with initial term over three months, borrowings and lease liabilities.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through raising new debts as well as redemption of the existing debts.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets.

3. Financial risk management (continued)

3.2. Capital management (continued)

The liability-to-asset ratio of the Group as at December 31, 2019, 2020 and 2021 and June 30, 2022 were as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Total liabilities	829,707	1,308,229	1,520,660	1,783,306
Total assets	1,643,858	2,940,493	5,190,589	5,919,396
The liability-to-asset ratio	**50.5%**	**44.5%**	**29.3%**	**30.1%**

3.3. Fair value estimation

(a) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Recurring fair value measurements	*Note*	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2019					
Financial assets					
Financial assets at fair value through profit or loss	20	—	—	458,564	458,564
At December 31, 2020					
Financial assets					
Financial assets at fair value through profit or loss	20	—	—	892,289	892,289

3. Financial risk management (continued)

3.3. Fair value estimation (continued)

(a) Fair value hierarchy (continued)

Recurring fair value measurements	*Note*	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2021					
Financial assets					
Financial assets at fair value through profit or loss	20	—	—	802,103	802,103
At June 30, 2022					
Financial assets					
Financial assets at fair value through profit or loss	20	—	—	1,562,997	1,562,997

The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows using the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks.

There were no transfers among levels 1, level 2 and level 3 for recurring fair value measurements during the period.

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended December 31, 2019, 2020 and 2021 and for six months ended June 30, 2021 and 2022:

	Financial products			
	Wealth management products	Structured deposit	Investment in fund management products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance as at January 1, 2019	—	—	—	—
Additions	12,399,879	150,000	—	12,549,879
Settlements	(12,105,293)	—	—	(12,105,293)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	8,654	5,324	—	13,978
– includes unrealized gains recognized in profit or loss	1,102	5,324	—	6,426
Closing balance as at December 31, 2019	303,240	155,324	—	458,564
Opening balance as at January 1, 2020	303,240	155,324	—	458,564
Additions	22,181,695	657,000	—	22,838,695
Settlements	(21,925,700)	(515,867)	—	(22,441,567)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	27,262	9,335	—	36,597

3. Financial risk management (continued)

3.3. Fair value estimation (continued)

(b) Fair value measurements using significant unobservable inputs (level 3) (continued)

	Financial products			
	Wealth management products	Structured deposit	Investment in fund management products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
– includes unrealized gains recognized in profit or loss	4,234	5,792	—	10,026
Closing balance as at December 31, 2020	586,497	305,792	—	892,289
Opening balance as at January 1, 2021	586,497	305,792	—	892,289
Additions	10,679,863	669,700	387,239	11,736,802
Settlements	(10,833,499)	(758,613)	(262,292)	(11,854,404)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	22,021	3,395	2,000	27,416
– includes unrealized gains recognized in profit or loss	4,882	275	237	5,394
Closing balance as at December 31, 2021	454,882	220,274	126,947	802,103
Opening balance as at January 1, 2022	454,882	220,274	126,947	802,103
Additions	471,230	2,455,800	705,235	3,632,265
Settlements	(809,449)	(1,804,075)	(307,198)	(2,920,722)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	6,377	10,496	5,838	22,711
– includes unrealized gains recognized in profit or loss	1,810	6,496	2,940	11,246
Exchange difference	—	—	26,640	26,640
Closing balance as at June 30, 2022	123,040	882,495	557,462	1,562,997
(unaudited)				
Opening balance as at January 1, 2021	586,497	305,792	—	892,289
Additions	6,883,408	280,000	—	7,163,408
Settlements	(7,100,214)	(537,900)	—	(7,638,114)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	10,886	2,354	—	13,240
– includes unrealized gains recognized in profit or loss	4,596	246	—	4,842
Closing balance as at June 30, 2021	380,577	50,246	—	430,823

The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows at the current market interest rate available for similar financial instruments.

3. Financial risk management (continued)

3.3. Fair value estimation (continued)

(c) Valuation inputs and relationships to fair value

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at December 31,			Fair value at June 30,	Unobservable Inputs
	2019	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000	
Wealth management products	303,240	586,497	454,882	123,040	The estimated weighted average return rates of these products were 2.15% to 4.40% per annum.
Structured deposit	155,324	305,792	220,274	882,495	The estimated weighted average return rates of these products were 1.15% to 4.10% per annum.
Investment in fund management products	—	—	126,947	557,462	The estimated weighted return rates of the product were 1.20% to 4.00% per annum.

The financial assets measured at fair value through profit and loss were investment in wealth management products that usually held for several days and investment in structured deposit that usually held from several months up to one year. The increase of estimated weighted average return rates will lead to the higher fair value of the financial products. If the estimated weighted average return rates had increased/decreased by 0.5% with all other variables held constant, the profit before income tax for the years ended December 31, 2019, 2020 and 2021 and for six months ended June 30, 2021 and 2022, would have been approximately RMB 83,000, RMB 1,319,000, RMB 818,000, RMB 1,180,000 and RMB 1,703,000 higher/lower respectively.

(d) The Group's valuation processes

For the financial assets, including level 3 fair values, the Group's finance department performs the valuations. The finance department reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO and finance department annually, in line with the Group's balance dates.

3. Financial risk management (continued)

3.3. Fair value estimation (continued)

(d) The Group's valuation processes (continued)

The valuation technique is discounted cash flows. Future cash flows are estimated and discounted using the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks.

4. Critical estimates and judgments

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Current and deferred income tax

The Group is subject to income taxes in different areas in the PRC. Significant judgment is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

5. Segment information

The Group is principally engaged in the production and sale of spicy snack food. Majority of the Group's revenue and business activities are conducted in the PRC.

For management purposes, the Group is organized into business units based on their products and has three reportable operating segments as follows:

By product type:

- Seasoned flour products, primarily comprising Big Latiao, Mini Latiao, Spicy Hot Stick, Mini Hot Stick and Kiss Burn.

- Vegetable products, primarily comprising Konjac Shuang and Fengchi Kelp.

5. Segment information (continued)

- Bean-based and other products, primarily comprising Soft Tofu Skin, 78° Braised egg and meat products.

CODM monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit. No analysis of segment operating profit is presented as CODM does not regularly review such information for the purposes of resource allocation and performance assessment. Segment assets and liabilities are not presented as CODM reviews the assets and liabilities on a central basis. Therefore, only segment revenue and segment gross profit are presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Seasoned flour products	Vegetable products	Bean-based and other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2019				
Revenue	2,474,574	664,959	245,233	3,384,766
Cost of sales	(1,554,565)	(417,385)	(158,513)	(2,130,463)
Gross profit	920,009	247,574	86,720	1,254,303
For the year ended December 31, 2020				
Revenue	2,690,287	1,167,541	262,529	4,120,357
Cost of sales	(1,678,125)	(709,239)	(167,328)	(2,554,692)
Gross profit	1,012,162	458,302	95,201	1,565,665
For the year ended December 31, 2021				
Revenue	2,918,039	1,664,120	218,041	4,800,200
Cost of sales	(1,871,077)	(1,000,717)	(135,375)	(3,007,169)
Gross profit	1,046,962	663,403	82,666	1,793,031
For the six months ended June 30, 2022				
Revenue	1,341,422	817,624	101,483	2,260,529
Cost of sales	(874,409)	(464,063)	(60,509)	(1,398,981)
Gross profit	467,013	353,561	40,974	861,548
For the six months ended June 30, 2021 (unaudited)				
Revenue	1,401,128	792,962	108,752	2,302,842
Cost of sales	(906,933)	(481,724)	(64,481)	(1,453,138)
Gross profit	494,195	311,238	44,271	849,704

5. Segment information (continued)

(a) Geographical information

Revenue from external customers broken down by location of the customers is shown in the table below:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
In PRC	3,384,766	4,120,357	4,780,404	2,302,788	2,235,382
Overseas	—	—	19,796	54	25,147
	3,384,766	4,120,357	4,800,200	2,302,842	2,260,529

Majority of the Group's identifiable assets and liabilities were located in PRC.

(b) Information about major customers

No revenue from a single customer accounted for 10% or more of the Group's revenue during the Track Record Period.

(c) An analysis of revenue is as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue from contracts with customers					
Sale of goods	3,384,766	4,120,357	4,800,200	2,302,842	2,260,529

The timing of the above revenue recognition is when the performance obligations of sales and delivery of goods are satisfied at a point in time.

The performance obligation is satisfied upon delivery of the goods and payment in advance is normally required, except for customers with credit terms up to 90 days. Some contracts provide customers with a right of return, volume rebates and co-advertising allowance which give rise to variable consideration.

5. Segment information (continued)

(d) Assets and liabilities related to contracts with customers

The Group has recognized the following liabilities related to contracts with customers:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	189,837	233,251	180,583	145,565

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue recognized that was include in the contract liabilities balance at the beginning of the year/period					
Contract liabilities	102,374	189,837	233,251	233,251	180,583

The Group has no revenue contract that has an original expected duration more than one year, thus management applies practical expedient under IFRS 15 and is not disclosing the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied or partially satisfied as of the end of the reporting period.

6. Other income, net

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Government grants					
Related to income (a)	24,706	46,145	130,988	6,767	50,092
Related to assets (b) (Note 28)	426	3,260	3,525	1,898	1,941
Sale of scraps and raw materials					
Proceeds income related to scraps and raw materials	12,341	24,186	22,359	11,182	10,823
Cost related to scraps and raw materials	(2,325)	(14,750)	(6,197)	(3,626)	(3,867)
VAT reduction	—	—	1,991	—	920
	35,148	58,841	152,666	16,221	59,909

6. Other income, net (continued)

The government grants represent subsidy income received from various government authorities as incentives to certain subsidiaries of the Group in the PRC.

(a) The government grants and subsidies related to income have been received to reward for the contribution to the local economic growth. These grants related to income were recognized in the statement of profit or loss upon receipt of these rewards and the related conditions associated with the rewards, if any, met. There are no unfulfilled conditions or contingencies relating to these grants.

(b) The Group has received certain government grants related to the investments in production plants. The grants related to assets were recognized in the statement of profit or loss over the useful lives of relevant assets. Details of these grants related to assets are set out in Note 28.

7. Other (losses)/gains, net

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Fair value gains on financial assets at fair value through profit or loss (Note 3.3)	13,978	36,597	27,416	13,240	22,711
Loss on disposal of property, plant and equipment	(7,990)	(2,901)	(1,647)	(1,256)	(1,704)
Donation	(620)	(1,660)	(11,695)	(1,300)	(648)
Gain on disposal of a subsidiary (a)	—	149	—	—	—
Loss on disposal of an investment accounted for using the equity method (b)	—	(1,677)	—	—	—
Share-based payments related to Pre-IPO Investments (c)	—	—	—	—	(628,811)
Settlement loss related to foreign exchange forward contract (d)	—	—	—	—	(5,238)
Net foreign exchange (losses)/gains (Note 3.1)	(3)	(279)	(6,148)	(9,280)	12,285
Impairment of property, plant and equipment (Note 17)	(5,717)	—	—	—	—
Net impairment loss on other non-current assets	(1,175)	—	(76)	(76)	—
Others	(217)	1,198	3,865	1,162	2,750
	(1,744)	31,427	11,715	2,490	(598,655)

(a) In March 2020, the Group and a third party company (the "Investor") entered into an equity investment agreement, pursuant to which, the Investor agreed to inject share capital to Delong Color Printing, then a wholly owned subsidiary of the Group, by RMB 31,500,000 and the Group agreed to inject share capital by RMB 3,500,000 in addition to its original registered share capital

7. Other (losses)/gains, net (continued)

of RMB 10,000,000. Upon completion of the aforementioned share capital injections in April 2020, the Investor and the Group respectively held the equity interests of Delong Color Printing by 70% and 30% and accordingly, Delong Color Printing ceased to be a subsidiary of the Group (the "Deemed Disposal"). A gain of RMB 149,000 arose from the Deemed Disposal of Delong Color Printing. Cash and cash equivalents related to Delong Color Printing of RMB 8,155,000 incurred a net cash outflow due to the de-consolidation from the Group. In May 2020, the Group further disposed its remaining 30% equity interest to the Controlling Shareholders at a consideration of RMB 13,500,000 and gain or loss due to this disposal was negligible. Upon completion of the further disposal in May 2020, Delong Color Printing became a related party company on which the Controlling Shareholders had significant influence (Note 35).

(b) In June 2020, the Group disposed its 20% equity interest in Beijing Jindingsheng Microcredit Co., Ltd. (北京金鼎盛小額貸款股份有限公司) (Note 13) to a third-party buyer at a consideration of RMB 20,000,000. Upon disposal, the carrying amount of the equity investment was RMB 21,677,000 and the loss on disposal of an investment accounted for using the equity method was RMB 1,677,000.

(c) Share-based payments related to Pre-IPO Investments

On April 27, 2022, the Group, the Controlling Shareholders and Pre-IPO investors (namely, CPE Investment XVIII Limited, CWL Management XVIII Limited, CWL Food Co-invest Limited, AUT-IV Holdings Limited, Image Flag Investment (HK) Limited, Duckling Fund, L.P., YF Demeter Limited, Harmony Capital Limited, Oceanpine Focus Fund LP, SCC Growth VI Holdco F, Ltd. and Shanghai Hongluo Enterprise Management Consulting Partnership (Limited Partnership) (上海泓漯企業管理諮詢合夥企業(有限合夥)) (the "Shanghai Hongluo") (collectively, the"Supplemental Agreement Investors")), entered into a supplemental agreement of share purchase agreement, pursuant to which the Company agreed to issue and sell to the Supplemental Agreement Investors in a total amount of 157,626,890 ordinary shares with a par value of US$0.00001 for a total consideration of US$1,576.2689, equivalent to RMB 11,000. On the same date, the Company adopted a second amended and restated memorandum and articles ("MAA") by a special resolution passed on April 27, 2022. According to the MAA dated on April 27, 2022, subject to the provisions and circumstances under the relevant legal documents dated on April 27, 2022, if a qualified IPO has not occurred, the Board of the Company may cause the Company and without any further approval from the Supplemental Agreement Investors, and the Company shall be entitled, to compulsorily redeem all of the aggregate amount of 157,626,890 ordinary shares held by the Supplemental Agreement Investors at its par value (i.e US$0.00001).

The fair value of total amount of 157,626,890 ordinary shares at the issuance date was amounting to RMB 628,822,000, according to the relevant requirements under IFRS 2 share-based payments, the difference between the fair value and the cash consideration received amounting to RMB 628,811,000 was charged into the consolidated income statements and credited to other reserves correspondingly.

(d) On March 15, 2022, the Group entered into a certain foreign exchange forward contract, pursuant to which, certain amount of US dollars would be settled into RMB at a fixed exchange rate on June 15, 2022. As at June 15, 2022, a loss due to the settlement of the foreign exchange forward contract amounting to RMB 5,238,000 was recognized.

8. Expense by nature

	Notes	For the year ended December 31,			For the six months ended June 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Consumption of raw materials	*23*	1,701,103	2,005,514	2,440,908	1,166,190	1,116,852
Changes in inventories of finished goods, semi-finished goods, and goods in transit	*23*	(15,634)	(4,411)	(25,458)	(4,262)	22,800
Employee benefit expenses	*9*	464,664	624,711	786,998	384,995	396,798
Transportation expenses		127,314	149,382	170,722	82,468	76,429
Utilities		58,871	71,469	91,979	43,395	44,805
Promotion and advertising expenses		30,820	46,658	78,679	34,727	36,929
Other tax expenses		33,114	35,209	43,588	18,317	14,812
Depreciation and amortization	*17-19*	52,130	65,520	106,436	48,077	64,246
Traveling expenses		20,121	25,613	35,018	19,461	12,953
Repairs and maintenance		20,978	27,028	32,079	13,767	13,194
Office expenses		15,928	22,681	27,639	12,102	18,070
Listing expenses		905	2,457	30,502	13,750	7,804
Auditor's remuneration						
– Audit services		144	196	103	75	89
– Non-audit services		—	—	—	—	—
Expense relating to short-term leases (Note 18)		1,309	4,596	4,349	2,242	5,191
Others		38,165	50,140	63,350	20,890	58,200
Total cost of sales of goods, distribution and selling expenses and administrative expenses		2,549,932	3,126,763	3,886,892	1,856,194	1,889,172

9. Employee benefit expenses

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Wages, salaries and bonuses	387,308	520,214	613,679	309,372	287,272
Pension costs – defined contribution plans (a)	15,909	17,340	33,220	14,718	21,288
Welfare and other expenses	61,447	87,157	89,580	52,597	39,131
Share-based payment expenses (Note 10)	—	—	50,519	8,308	49,107
	464,664	624,711	786,998	384,995	396,798

9. Employee benefit expenses (continued)

Employee benefit expenses changed in the consolidated statements of profit or loss are as follow:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cost of sales of goods	283,290	358,489	348,053	178,572	142,952
Distribution and selling expenses	93,479	135,094	220,478	118,255	111,424
Administrative expenses	87,895	131,128	218,467	88,168	142,422
	464,664	624,711	786,998	384,995	396,798

(a) Defined contribution plans

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2019, 2020 and 2021 and for six month ended June 30, 2021 and 2022 include 2, 2, 4, 3 and 5 directors respectively, whose emoluments are reflected in the analysis shown in Note 36. Details of the emoluments of the remaining highest paid non-director individuals during the Track Record Period are set out as below:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Wages, salaries and bonuses	6,619	6,344	1,655	2,156	—
Pension costs – defined contribution plans	90	60	10	54	—
Welfare and other expenses	63	52	10	54	—
Share-based payment expenses	—	—	4,352	2,372	—
	6,772	6,456	6,027	4,636	—

9. Employee benefit expenses (continued)

(b) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals				
	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
Emolument bands (in HKD)					
HKD 2,000,001 – HKD 2,500,000	1	2	—	—	—
HKD 2,500,001 – HKD 3,000,000	2	1	—	2	—
HKD 7,000,001 – HKD 7,500,000	—	—	1	—	—
	3	3	1	2	—

10. Share-based payments to employees

During the year ended December 31, 2021, to incentivize directors, senior management and employees, the RSU Scheme was approved and adopted by the Company. Shares of 41,389 were allotted and issued to for the purpose of the RSU Scheme.

On January 1, 2021, in exchange for employee services to the Group, 4,764 RSUs were granted to certain eligible persons selected by the Company(the "January 2021 Awards"). On and subject to the limitations and conditions of the RSU Scheme and the terms and conditions of the respective grant letter, the RSUs shall be vested as to 15%, 15%, 20%, 20%, 20% and 10% on January 1, 2022, 2023, 2024, 2025, 2026 and 2027 respectively.

As disclosed in Note 26, on March 31, 2021, the Company effected a 1,000 for 1 share split of its shares. Accordingly, the shares allotted and granted under the RSU Scheme were then equivalent to 41,389,000 shares and 4,764,000 shares, respectively.

On October 10, 2021, the Company granted an aggregate of 32,295,893 RSUs under the RSU Scheme to selected eligible participants with performance and service conditions at a nil consideration to incentivize them for the Group's future development (the "October 2021 Awards"). On and subject to the limitations and conditions of the RSU Scheme and the terms and conditions of the respective grant letter, the RSUs shall be vested in different proportions from 2022 to 2030.

On April 27, 2022, pursuant to a shareholder resolution, additional shares of 4,509,681 were issued for the purpose of the RSU Scheme. After the issuance, the aggregate number of ordinary shares under the RSU Scheme was 45,898,681.

On May 26, 2022, the Company granted an aggregate of 2,135,376 RSUs under the RSU Scheme to selected eligible participants with performance and service conditions at a nil consideration to

10. Share-based payments to employees (continued)

incentivize them for the Group's future development (the "May 2022 Awards"). On and subject to the limitations and conditions of the RSU Scheme and the terms and conditions of the respective grant letter, the RSUs shall be vested in different proportions from 2023 to 2027.

Share-based payment expense relating to awards granted to employees is based on the grant date fair value of the RSUs is recognized, on a straight-line basis over the entire vesting period for each batch. The fair value of each RSUs at the grant dates are determined by reference to the fair value of the underlying ordinary shares of the Company on the date of grant. The grant date fair value of the underlying ordinary shares was determined with the assistance of an independent valuer. The discounted cash flow method under the income approach has been applied in the determination of the fair value of the equity interest of the Company. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

The table below sets forth share-based payments expenses for RSUs during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
RSUs	—	—	50,519	8,308	49,107

Movements in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU
		RMB
Outstanding as at January 1, 2019, December 31, 2019 and 2020, and January 1, 2021	—	—
Granted during the year	37,059,893	8.94 to 11.01
Forfeited during the period	(746,355)	8.94 to 11.01
Outstanding as at December 31, 2021	36,313,538	8.94 to 11.01
Outstanding as at January 1, 2022	36,313,538	8.94 to 11.01
Granted during the period	2,135,376	7.25
Forfeited during the period	(1,198,301)	11.01
Outstanding as at June 30, 2022	37,250,613	7.25 to 11.01

As at June 30, 2022, a total of 269 employees (counted based on person-time) of the Group have been granted with a total of 39,195,269 RSUs and no RSUs become vested under the terms and conditions of the RSU Scheme.

11. Finance (costs)/income, net

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Finance income:					
Interests from bank	107	481	24,782	7,865	31,704
Finance costs:					
Interest expenses on bank borrowings	(3,591)	(9,070)	(9,730)	(3,850)	(9,835)
Finance costs on lease liabilities (Note 18)	(1,462)	(895)	(694)	(295)	(297)
Less: borrowing costs capitalized in property, plant and equipment (Note 17)	1,838	4,180	4,888	2,178	2,161
	(3,215)	(5,785)	(5,536)	(1,967)	(7,971)
Finance (costs)/income, net	(3,108)	(5,304)	19,246	5,898	23,733

(a) Capitalized borrowing costs

The capitalization rate used to determine the amount of borrowing costs to be capitalized is 4.57%, 4.37%, 3.93%, 4.10% and 3.97% applicable to the Group's general borrowings during the year December 31, 2019, 2020 and 2021 and during the six months ended June 30, 2021 and 2022, respectively.

12. Investments in subsidiaries

The main associate as listed below is held directly by the Group; the country of registration is also its principal place of business.

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in subsidiaries	31,345	31,345	81,864	133,294

13. Investments accounted for using the equity method

The Group's associate is unlisted. The main associate as listed below is held directly by the Group; the country of registration is also its principal place of business.

Name of entity	Place of business/country of incorporation	% of ownership interest	Measurement method
Beijing Jindingsheng Microcredit Co., Ltd.(北京金鼎盛小額貸款股份有限公司)	Beijing, China	20%	Equity

13. Investments accounted for using the equity method (continued)

Beijing Jindingsheng Microcredit Co., Ltd. provides microcredit services within the area limit of Beijing.

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Opening balance	22,039	22,395	—	—	—
Share of profits for the year	1,378	379	—	—	—
Dividends received	(1,022)	(1,097)	—	—	—
Disposal	—	(21,677)	—	—	—
Closing balance	22,395	—	—	—	—

(a) There are no contingent liabilities relating to the Group's interest in the associates.

(b) Summarized financial information for the associate

The tables below provide summarized financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the Historical Financial Information of the relevant associate. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Summarized balance sheet				
Current assets				
Cash and cash equivalents	36,321	—	—	—
Other current assets	76,147	—	—	—
Total current assets	112,468	—	—	—
Non-current assets	314	—	—	—
Current liabilities				
Financial liabilities	—	—	—	—
Other current liabilities	808	—	—	—
Total current liabilities	808	—	—	—
Net assets	111,974	—	—	—

13. Investments accounted for using the equity method (continued)

(b) Summarized financial information for the associate (continued)

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Reconciliation to carrying amounts:				
Opening net assets at January 1	110,196	111,974	—	—
Profit for the year/period	6,888	1,894	—	—
Dividends declared	(5,110)	(5,485)	—	—
Disposal	—	(108,383)	—	—
Closing net assets	111,974	—	—	—
Group's share in %	20%	—	—	—
Group's share in RMB	22,395	—	—	—
Carrying amount	22,395	—	—	—
Revenue	12,730	3,508	—	—
Income tax expense	(2,296)	(228)	—	—
Profit for the year/period	6,888	1,894	—	—
Total comprehensive income	6,888	1,894	—	—
Dividends received from an associate	(1,022)	(1,097)	—	—

During the year ended December 31, 2020, the 20% equity interest in Beijing Jindingsheng Microcredit Co., Ltd was disposed. (Note 7)

14. Income tax expense

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax					
Current tax on profits for the year/period	214,304	260,891	277,108	132,722	141,614
Deferred income tax					
Increase in deferred tax assets (Note 31)	(14,418)	(26,775)	(39,475)	(35,871)	(37,662)
Increase in deferred tax liabilities (Note 31)	8,523	25,457	32,270	16,820	13,565
Total deferred tax expense	(5,895)	(1,318)	(7,205)	(19,051)	(24,097)
Income tax expense	208,409	259,573	269,903	113,671	117,517

14. Income tax expense (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the statutory corporate income tax rate of 25% in the PRC during the Track Record Period is as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Profit/(loss) before income tax	866,508	1,078,337	1,096,632	471,257	(143,313)
Tax calculated at statutory tax rates of 25%	216,627	269,584	274,158	117,814	(35,828)
Tax effect of:					
Difference in tax rate	(391)	(1,278)	305	1,484	863
Share of net profit of associate accounted for using the equity method	(345)	(95)	—	—	—
Disposal loss of an investment accounted for using the equity method	—	420	—	—	—
Expenses not deductible for income tax purpose (i)	136	230	3,312	229	158,237
Income not subject to tax	(5,656)	(5,312)	(9,957)	(5,399)	(5,180)
Additional deductible research and development expense	(2,980)	(3,673)	(417)	(657)	(323)
Withholding tax on unremitted earnings of PRC subsidiaries	500	—	—	—	—
Tax losses for which no deferred income tax assets were recognized	—	—	1,944	—	—
Other	518	(303)	558	200	(252)
	208,409	259,573	269,903	113,671	117,517

(i) During the six months ended June 30, 2022, expenses not deductible for income tax purpose mainly included the expense relating to share-based payments related Pre-IPO Investments (Note 7(c)), which was recognized in the Company's statements of comprehensive income/loss and not deductible for income tax purpose.

(a) Cayman Islands Income Tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and, accordingly, is exempted from local income tax.

14. Income tax expense (continued)

(b) British Virgin Islands profit tax

The Company's direct subsidiaries in the British Virgin Islands were incorporated under the BVI Companies Act, 2004 and accordingly, are exempted from British Virgin Islands income tax.

(c) Hong Kong profits tax

The taxation of the Group's subsidiaries in Hong Kong are calculated at 16.5% of the estimated assessable profits for the Track Record Period.

(d) PRC corporate income tax

Enterprises incorporated in the PRC are subject to income tax rates of 25% throughout the Track Record Period unless subject to tax exemption set out below.

Certain of the Group's PRC subsidiaries are qualified as small and micro enterprises and are entitled to a preferential corporate income tax rate of 20% during the Track Record Period.

Certain of the Group's PRC subsidiaries are engaged in agriculture and entitled to the tax exemption on agricultural products.

The income tax provision of the Group has been calculated at the applicable tax rate on the estimated assessable profits for the Track Record Period based on existing legislations, interpretations and practices.

(e) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be 5%.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, the aggregate undistributed earnings of the Group's subsidiaries incorporated in the PRC are RMB 713,966,000, RMB 1,443,688,000, RMB 2,114,122,000 and RMB 2,478,128,000. As the Company has the ability to control the timing of the distribution from these subsidiaries and it has no intention to distribute such earnings to foreign entities in the foreseeable future, accordingly, despite an assessable temporary difference on such retained earnings exists, no deferred income tax liability has been recognized in the Historical Financial Information.

15. Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
Profit/(loss) attributable to owners of the Company (RMB'000)	658,099	818,764	826,729	357,586	(260,830)
Weighted average number of outstanding ordinary shares (thousands)	1,990,000	1,990,000	2,036,295	2,020,612	2,051,223
Basic earnings/(loss) per share (RMB)	0.33	0.41	0.41	0.18	(0.13)

Outstanding ordinary shares that are contingently returnable (ie subject to recall) are not treated as outstanding and are excluded from the calculation of basic earnings/(loss) per share until the date the shares are no longer subject to recall.

During the six months ended June 30, 2022, no RSUs become vested under the terms and conditions of the RSU Scheme, so the effect of such shares held for RSU Scheme has not been taken into account in the calculation of basic earnings/(loss) per share.

During the six months ended June 30, 2022, if a qualified IPO did not occur, as described in Note 7(c), the Company shall be entitled to compulsorily redeem all of the aggregate amount of 157,626,890 ordinary shares, so the effect of such shares has not been taken into account in the calculation of basic earnings/(loss) per share.

(b) Diluted

For each of the years ended December 31, 2019 and 2020, as the Company has no dilutive ordinary shares, dilutive earnings per share are the same as basic earnings per share. For year ended December 31, 2021 and for six months ended June 30, 2022, condition associated with the RSUs, in addition to the passage of time were not met, meanwhile, condition of a qualified IPO associated with the supplemental agreement, as described in Note 7(c), was not met as well, therefore, no contingently issuable shares would be included in diluted EPS, so the dilutive earnings/(loss) per share are therefore the same as basic earnings/(loss) per share.

16. Dividends

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Dividends declared	—	1,416	595,989	595,989	—

During the year ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, the resolution of the directors resolved to distribute dividends of Nil, RMB 1,416,000, RMB 595,989,000, RMB 595,989,000 and Nil, respectively.

The dividends paid during the year ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022 were RMB 308,078,000, RMB 1,416,000, RMB 595,989,000, RMB 595,989,000 and Nil, respectively, which included dividends of RMB 308,078,000 declared during the year ended December 31, 2018.

17. Property, plant and equipment

	Buildings	Machinery	Vehicles	Furniture and office equipment	Electronic equipment	Building improvement and decoration	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount as at January 1, 2019	39,012	154,146	5,006	16,307	2,372	33,790	24,818	275,451
Additions	2,804	15,897	6,641	7,468	444	5,282	113,380	151,916
Transfers upon completion	1,259	16,020	—	—	—	6,691	(23,970)	—
Disposals	—	(8,984)	(2,341)	(1,028)	—	—	—	(12,353)
Depreciation (Note 8)	(3,726)	(16,073)	(2,714)	(4,090)	(1,145)	(10,408)	—	(38,156)
Impairment (Note 7)	—	(5,717)	—	—	—	—	—	(5,717)
Net book amount as at December 31, 2019	39,349	155,289	6,592	18,657	1,671	35,355	114,228	371,141
As at December 31, 2019								
Cost	51,997	214,376	9,752	26,539	3,891	56,916	114,228	477,699
Accumulated depreciation	(12,648)	(50,214)	(3,160)	(7,882)	(2,220)	(21,561)	—	(97,685)
Impairment	—	(8,873)	—	—	—	—	—	(8,873)
Net book amount	39,349	155,289	6,592	18,657	1,671	35,355	114,228	371,141
Net book amount as at January 1, 2020	39,349	155,289	6,592	18,657	1,671	35,355	114,228	371,141
Additions	23,282	86,770	4,423	23,345	2,746	18,032	207,607	366,205
Transfers upon completion	71,971	15,999	—	—	—	2,272	(90,242)	—
Disposals	(17)	(2,583)	(29)	(1,188)	(59)	—	—	(3,876)
Disposals-Subsidiary	(194)	(16,122)	(80)	(28)	(189)	(1,945)	(872)	(19,430)
Depreciation (Note 8)	(5,227)	(21,620)	(2,544)	(4,673)	(1,674)	(14,780)	—	(50,518)

17. Property, plant and equipment (continued)

	Buildings	Machinery	Vehicles	Furniture and office equipment	Electronic equipment	Building improvement and decoration	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount as at December 31, 2020	129,164	217,733	8,362	36,113	2,495	38,934	230,721	663,522
As at December 31, 2020								
Cost	145,088	276,102	12,184	47,217	5,901	59,896	230,721	777,109
Accumulated depreciation	(15,924)	(58,369)	(3,822)	(11,104)	(3,406)	(20,962)	—	(113,587)
Net book amount	129,164	217,733	8,362	36,113	2,495	38,934	230,721	663,522
Net book amount as at January 1, 2021	129,164	217,733	8,362	36,113	2,495	38,934	230,721	663,522
Additions	10,539	49,510	2,746	34,104	3,850	25,221	272,825	398,795
Transfers upon completion	138,220	101,028	—	—	—	47,827	(287,075)	—
Disposals	(12)	(2,020)	(1,716)	(391)	(1)	(1,745)	—	(5,885)
Depreciation (Note 8)	(12,881)	(34,641)	(3,115)	(10,199)	(1,551)	(29,596)	—	(91,983)
Net book amount as at December 31, 2021	265,030	331,610	6,277	59,627	4,793	80,641	216,471	964,449
As at December 31, 2021								
Cost	293,731	421,743	12,586	79,614	9,660	129,404	216,471	1,163,209
Accumulated depreciation	(28,701)	(90,133)	(6,309)	(19,987)	(4,867)	(48,763)	—	(198,760)
Net book amount	265,030	331,610	6,277	59,627	4,793	80,641	216,471	964,449
Net book amount as at January 1, 2022	265,030	331,610	6,277	59,627	4,793	80,641	216,471	964,449
Additions	—	5,321	1,807	6,868	1,024	1,439	497,579	514,038
Transfers upon completion	12,718	53,784	—	—	—	—	(66,502)	—
Disposals	—	(2,117)	(395)	(113)	—	—	—	(2,625)
Depreciation (Note 8)	(9,744)	(22,319)	(1,458)	(6,939)	(909)	(16,439)	—	(57,808)
Net book amount as at June 30, 2022	268,004	366,279	6,231	59,443	4,908	65,641	647,548	1,418,054
As at June 30, 2022								
Cost	306,449	477,359	13,547	86,125	10,684	129,228	647,548	1,670,940
Accumulated depreciation	(38,445)	(111,080)	(7,316)	(26,682)	(5,776)	(63,587)	—	(252,886)
Net book amount	268,004	366,279	6,231	59,443	4,908	65,641	647,548	1,418,054
(unaudited)								
Net book amount as at January 1, 2021	129,164	217,733	8,362	36,113	2,495	38,934	230,721	663,522
Additions	1,943	7,446	2,018	13,546	1,918	11,138	129,760	167,769
Transfers upon completion	115,641	62,990	—	—	—	32,823	(211,454)	—
Disposals	(12)	(849)	(1,672)	(391)	—	(1,239)	—	(4,163)
Depreciation (Note 8)	(5,238)	(13,916)	(1,533)	(3,680)	(507)	(15,848)	—	(40,722)
Net book amount as at June 30, 2021	241,498	273,404	7,175	45,588	3,906	65,808	149,027	786,406

17. Property, plant and equipment (continued)

	Buildings	Machinery	Vehicles	Furniture and office equipment	Electronic equipment	Building improvement and decoration	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at June 30, 2021								
Cost	262,653	345,287	12,095	59,962	7,819	100,823	149,027	937,666
Accumulated depreciation	(21,155)	(71,883)	(4,920)	(14,374)	(3,913)	(35,015)	—	(151,260)
Net book amount	241,498	273,404	7,175	45,588	3,906	65,808	149,027	786,406

Depreciation on property, plant and equipment of the Group is analyzed as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Cost of sales of goods	30,685	41,232	65,001	31,498	39,285
Administrative expenses	7,409	9,091	26,691	9,126	18,324
Distribution and selling expenses	62	195	291	98	199
Total	38,156	50,518	91,983	40,722	57,808

(a) Construction-in-progress as at December 31, 2019, 2020 and 2021 and June 30, 2022 mainly comprised of buildings being constructed in the PRC.

(b) The Group has capitalized borrowing costs amounting to RMB 1,838,000, RMB 4,180,000, RMB 4,888,000, RMB 2,178,000 and RMB 2,161,000 on qualifying assets during the year ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022 (Note 11). The weighted average rate capitalization rate were 4.57%, 4.37%, 3.93%, 4.10% and 3.97% for the year ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022.

(c) Refer to Note 30 and Note 34 for information on non-current assets pledged as security by the Group.

(d) As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amount of buildings without building ownership certificates was RMB 1,082,000, RMB 1,010,000, RMB 51,633,000 and RMB 53,623,000 respectively. The Group is in the process to obtain the certificates.

18. Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets				
Land-use-rights	58,954	169,442	165,874	226,993
Buildings	29,250	19,456	15,329	10,511
	88,204	188,898	181,203	237,504
Lease liabilities				
Current	(8,501)	(6,372)	(7,545)	(5,739)
Non-current	(17,311)	(11,110)	(7,170)	(4,046)
	(25,812)	(17,482)	(14,715)	(9,785)

(i) Additions of the right-of-use assets during the year ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022 were RMB 3,076,000, RMB 119,498,000, RMB 5,571,000 and RMB 63,910,000, respectively.

(b) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Depreciation charge of right-of-use assets					
Land-use-rights	1,245	2,858	3,568	1,784	2,100
Buildings	10,460	9,832	9,128	4,357	3,726
	11,705	12,690	12,696	6,141	5,826

18. Leases (continued)

(b) Amounts recognized in the statement of profit or loss (continued)

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Interest expense (included in finance cost) (Note 11)	1,462	895	694	295	297
Expense relating to short-term leases (included in cost of goods sold, distribution and selling expenses and administrative expenses) (Note 8)	1,309	4,596	4,349	2,242	5,191

The total cash outflow for leases for the years ended December 31, 2019, 2020 and 2021 and for six month ended June 30, 2021 and 2022 were RMB 11,939,000, RMB 14,116,000, RMB 12,444,000, RMB 6,588,000 and RMB 9,349,000 respectively.

(c) The Group's leasing activities and how these are accounted for

The Group lease factory, office buildings, warehouse and equipment. Rental contracts are typically made for fixed periods of 17 months to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purpose.

(d) The carrying value of right-of-use assets related to land-use-right purchased from the government of RMB 58,954,000, RMB 169,442,000, RMB 165,874,000 and RMB 226,993,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, has 50 years useful lives stated in the relevant land-use-right certificates. All the Group's land-use-rights are located in the PRC.

(e) Refer to Note 30 and Note 34 for information on land-use-right pledged as security by the Group.

19. Intangible assets

	Software
	RMB'000
Net book amount as at January 1, 2019	5,598
Additions	387
Amortization (Note 8)	(2,269)
Net book amount as at December 31, 2019	3,716
As at December 31, 2019	
Cost	7,105
Accumulated amortization	(3,389)
Net book amount	3,716
Net book amount as at January 1, 2020	3,716
Additions	281
Amortization (Note 8)	(2,312)
Net book amount as at December 31, 2020	1,685
As at December 31, 2020	
Cost	7,386
Accumulated amortization	(5,701)
Net book amount	1,685
Net book amount as at January 1, 2021	1,685
Additions	9,812
Amortization (Note 8)	(1,757)
Net book amount as at December 31, 2021	9,740
As at December 31, 2021	
Cost	17,198
Accumulated amortization	(7,458)
Net book amount	9,740
Net book amount as at January 1, 2022	9,740
Additions	4,228
Amortization (Note 8)	(612)
Net book amount as at June 30, 2022	13,356
As at June 30, 2022	
Cost	21,426
Accumulated amortization	(8,070)
Net book amount	13,356
(unaudited)	
Net book amount as at January 1, 2021	1,685
Additions	592
Amortization (Note 8)	(1,214)
Net book amount as at June 30, 2021	1,063
As at June 30, 2021	
Cost	7,978
Accumulated amortization	(6,915)
Net book amount	1,063

19. Intangible assets (continued)

Amortization of intangible assets of the Group is analyzed as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Administrative expenses (Note 8)	2,269	2,312	1,757	1,214	612

20. Financial instruments by category

The Group holds the following financial instruments:

		As at December 31,			As at June 30,
		2019	2020	2021	2022
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Financial assets at amortized cost					
– Trade and other receivables	*21*	28,320	46,657	69,884	65,252
– Cash and cash equivalents	*24*	88,994	161,740	494,275	180,855
– Restricted cash	*24*	1,553	12,106	294	165,000
– Term deposits with initial term over three months	*25*	—	166,133	1,720,671	1,476,373
Financial assets at fair value through profit or loss					
– Wealth management products	*3.3*	303,240	586,497	454,882	123,040
– Structured deposit	*3.3*	155,324	305,792	220,274	882,495
– Investment in fund management products	*3.3*	—	—	126,947	557,462
		577,431	1,278,925	3,087,227	3,450,477

		As at December 31,			As at June 30,
		2019	2020	2021	2022
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities					
Financial liabilities at amortized cost					
– Trade and other payables	*3.1*	244,479	257,330	355,790	275,372
– Lease liabilities	*18*	25,812	17,482	14,715	9,785
– Borrowings	*30*	137,720	393,366	460,112	819,170
		408,011	668,178	830,617	1,104,327

20. Financial instruments by category (continued)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at each end of the Track Record Period is the carrying amount of each class of financial assets mentioned above.

21. Trade, other receivables and prepayments

(i) Trade, other receivables and prepayments of the Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:				
Receivables from third parties	18,615	40,744	56,552	54,530
Loss allowance (Note 3.1)	—	—	(429)	(197)
	18,615	40,744	56,123	54,333
Other receivables:				
Deposits	4,464	4,953	11,234	8,576
Proceeds receivable from sale of property, plant and equipment	3,018	—	1,400	1,150
Loans to third parties (d)	1,500	800	400	200
Others	923	960	1,201	1,262
Loss allowance (Note 3.1)	(200)	(800)	(474)	(269)
	9,705	5,913	13,761	10,919
Prepayments:				
Prepayments for raw materials	57,877	125,338	37,800	43,228
Prepayments for services	5,062	6,496	42,281	30,226
Input VAT recoverable	45,573	68,286	159,373	111,443
Prepayment for income tax	—	—	4,946	7,130
Prepayments for listing expenses	—	—	4,723	5,494
	108,512	200,120	249,123	197,521
	136,832	246,777	319,007	262,773

21. Trade, other receivables and prepayments (continued)

(ii) Trade, other receivables and prepayments of the Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables:				
Amounts due from related parties	—	—	882,208	661,076
Others	—	—	—	5
Loss allowance	—	—	—	(1,226)
	—	—	882,208	659,855
Prepayments:				
Prepayments for listing expenses	—	—	4,723	5,494
Prepayments for services	—	—	2,453	2,566
	—	—	7,176	8,060
	—	—	889,384	667,915

(a) Due to the short-term nature of the current receivables, their carrying amount is considered to be approximate their fair value.

(b) Trade receivables primarily arise from credit sales of products. The Group usually deliver products to distributors after they have made the payment, while for direct sale customers, credit period is granted. The credit terms are generally up to 90 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing. All the trade receivables of the Group are from third parties.

As at December 31, 2019, 2020 and 2021 and at June 30, 2022, the aging analysis of the trade receivables based on invoice date were as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	15,751	35,681	52,312	51,661
91-180 days	2,864	5,063	4,240	2,869
	18,615	40,744	56,552	54,530

(c) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for trade receivables. The loss allowance for trade receivables at amortized cost was not material during the year ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022. Note 3.1(b) provides for details about the calculation of the allowance.

21. Trade, other receivables and prepayments (continued)

(d) Loans to third parties were unsecured, interest-free and repaid on demand.

22. Other non-current assets

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers of property, plant and equipment	60,387	53,488	47,016	19,693
Prepayments to suppliers of intangible assets	—	—	5,386	6,659
	60,387	53,488	52,402	26,352

23. Inventories

Our inventories include raw materials and packaging materials, finished goods, work in progress and goods in transit, with raw materials and packaging materials being the major component.

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and packaging materials	353,195	491,252	529,538	457,843
Finished goods and Goods in transit	39,283	43,727	69,467	46,671
Semi-finished goods	428	395	113	109
Low-value consumption goods	7,024	5,652	5,137	6,202
	399,930	541,026	604,255	510,825

The costs of individual items of inventory are determined using weighted average costs.

The cost of inventories recognized as an expense and included in cost of sales for each of the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 amounted to RMB 1,701,103,000, RMB 2,005,514,000, RMB 2,440,908,000, RMB 1,166,190,000 and RMB 1,116,852,000 respectively (Note 8).

24. Cash and cash equivalents and Restricted cash

(i) Cash and cash equivalents and Restricted cash of the Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents:				
Cash on hand				
– RMB	13	—	—	—
Cash at bank and other major licensed payment institution				
– RMB	88,978	122,693	178,472	40,104
– USD	3	39,047	315,634	140,611
– HKD	—	—	169	140
	88,994	161,740	494,275	180,855
Restricted cash (b)				
– RMB	1,553	10,914	—	165,000
– USD	—	1,192	294	—
	1,553	12,106	294	165,000

(ii) Cash and cash equivalents and Restricted cash of the Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents:				
Cash at bank and other major licensed payment institution				
- RMB			8	8
- USD	—	—	178,578	33,781
- HKD	—	—	164	133
	—	—	178,750	33,922

(a) Cash at bank and other major licensed payment institutions can be redeemed by the company within a short-term.

(b) As at December 31, 2019, 2020 and 2021, the restricted cash were held as the guarantee deposits for letter of credit issued by the bank. As at June 30, 2022, the restricted cash of RMB 165,000,000 was held for the purchase of financial products.

(c) Reconciliation to cash flow statement

24. Cash and cash equivalents and Restricted cash (continued)

The above figures reconcile to the amount of cash shown in the statement of cash flows at each end of the Track Record Period as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Balances as above	88,994	161,740	494,275	180,855
Balances per statement of cash flows (Note 32)	88,994	161,740	494,275	180,855

25. Term deposits with initial term over three months

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Term deposits with initial term over three months				
– RMB	—	20,034	—	19,957
– USD	—	36,099	766,331	471,829
	—	56,133	766,331	491,786
Non-current assets				
Term deposits with initial term over three months				
– RMB	—	110,000	954,340	984,587
	—	166,133	1,720,671	1,476,373

The carrying amounts of term deposits with initial term over three months approximated their fair values, since the interest receivables on these term deposits with initial term over three months is either close to current market rates or the term deposits with initial term over three months are of a short-term nature.

The term deposits with initial term over three months that denominated in RMB were at the fixed interest rate ranged from 3.45% to 4.18% per annum.

The term deposits with initial term over three months that denominated in USD were at a fixed interest rate ranged from 0.55% to 1.70% per annum.

26. Share capital

The Company

	Number of ordinary shares	Nominal value of ordinary shares
		USD
Authorized shares of USD 0.01 as at July 6, 2018	5,000,000	50,000
Authorized shares of USD 0.00001 as at March 31, 2021	5,000,000,000	50,000

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		USD	RMB
Issued:			
Issuance of shares upon incorporation of the Company	10,000	100	663
At January 1, 2019, December 31, 2019 and 2020	10,000	100	663
At January 1, 2021	10,000	100	663
Issuance of ordinary shares upon the RSU Scheme	41,389	414	2,701
Share split	51,337,611	—	—
Issuance of ordinary shares for the Controlling Shareholders	1,980,000,000	19,800	130,112
Issuance of ordinary shares upon the Pre-IPO Investments	122,446,014	1,224	8,046
Repurchase of shares from the Controlling Shareholders upon the Pre-IPO Investments	(61,223,007)	(612)	(4,023)
At December 31, 2021	2,092,612,007	20,926	137,499
At January 1, 2022	2,092,612,007	20,926	137,499
Issuance of ordinary shares upon the supplemental Pre-IPO Investments	157,626,890	1,576	10,367
Issuance of ordinary shares for RSU Scheme	4,509,681	45	296
At June 30, 2022	2,254,748,578	22,547	148,162

The movement of paid in share capital is shown in the table below:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Beginning of the year/period	—	—	—	—	137
Proceeds from shares issued	—	—	137	137	11
End of the year/period	—	—	137	137	148

26. Share capital (continued)

The Company (continued)

On March 31, 2021, the Company effected a 1,000 for 1 share split and issued 1,980,000,000 ordinary shares to the Controlling shareholders at par value. Information relating to the shares is set out in Note 27.

27. Other reserves

The Group

	Share Premium (a)	Capital reserves (b)	Statutory surplus reserves (c)	Share-based payment reserves (d)	Shares held for RSU Scheme (e)	Currency translation differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	—	(1,032)	31,917	—	—	(1)	30,884
Profit appropriation to statutory surplus reserves	—	—	49,482	—	—	—	49,482
Deemed contribution from the Controlling Shareholders for shares transfer in connection with the Reorganization.	—	20,000	—	—	—	—	20,000
Deemed distribution to the Controlling Shareholders for shares transfer in connection with the Reorganization	—	(20,713)	—	—	—	—	(20,713)
As at December 31, 2019	—	(1,745)	81,399	—	—	(1)	79,653
As at December 31, 2019	—	(1,745)	81,399	—	—	(1)	79,653
Profit appropriation to statutory surplus reserves	—	—	86,146	—	—	—	86,146

27. Other reserves (continued)

The Group (continued)

	Share Premium (a)	Capital reserves (b)	Statutory surplus reserves (c)	Share-based payment reserves (d)	Shares held for RSU Scheme (e)	Currency translation differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency translation differences	—	—	—	—	—	765	765
As at December 31, 2020	—	(1,745)	167,545	—	—	764	166,564
Profit appropriation to statutory surplus reserves	—	—	68,160	—	—	—	68,160
Capital injection	3,600,554	—	—	—	—	—	3,600,554
Repurchased of shares in connection with Pre-IPO Investments	(1,802,065)	—	—	—	—	—	(1,802,065)
Dividends declared	(560,000)	—	—	—	—	—	(560,000)
Share-based compensation ..	—	—	—	50,519	—	—	50,519
Currency translation differences	—	—	—	—	—	(42,217)	(42,217)
Treasury shares held for the RSU scheme	—	—	—	—	(3)	—	(3)
As at December 31, 2021	1,238,489	(1,745)	235,705	50,519	(3)	(41,453)	1,481,512

27. Other reserves (continued)

The Group (continued)

	Share Premium (a)	Capital reserves (b)	Statutory surplus reserves (c)	Share-based payment reserves (d)	Shares held for RSU Scheme (e)	Currency translation differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2021	1,238,489	(1,745)	235,705	50,519	(3)	(41,453)	1,481,512
Share-based compensation	—	—	—	49,107	—	—	49,107
Share-based payments related to Pre-IPO Investments (Note 7(c))	—	—	—	628,811	—	—	628,811
Currency translation differences	—	—	—	—	—	49,062	49,062
As at June 30, 2022	1,238,489	(1,745)	235,705	728,437	(3)	7,609	2,208,492
(unaudited)							
As at January 1, 2021	—	(1,745)	167,545	—	—	764	166,564
Profit appropriation to statutory surplus reserves	—	—	30,630	—	—	—	30,630
Capital injection	3,600,554	—	—	—	—	—	3,600,554
Repurchased of shares in connection with Pre-IPO Investments	(1,802,065)	—	—	—	—	—	(1,802,065)
Dividends declared	(560,000)	—	—	—	—	—	(560,000)
Share-based compensation	—	—	—	8,308	—	—	8,308
Currency translation differences	—	—	—	—	—	(21,699)	(21,699)
Treasury shares held for the RSU scheme	—	—	—	—	(3)	—	(3)
As at June 30, 2021	1,238,489	(1,745)	198,175	8,308	(3)	(20,935)	1,422,289

27. Other reserves (continued)

The Company

	Share Premium (a)	Capital reserves (b)	Share-based payment reserves (d)	Shares held for RSU Scheme (e)	Currency translation differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	—	31,345	—	—	—	31,345
Deemed distribution to the Controlling Shareholders for shares transfer in connection with the Reorganization	—	(713)	—	—	—	(713)
As at December 31, 2019	—	30,632	—	—	—	30,632
Currency translation differences	—	—	—	—	(1)	(1)
As at December 31, 2020	—	30,632	—	—	(1)	30,631
Capital injection	3,600,554	—	—	—	—	3,600,554
Repurchased of shares in connection with Pre-IPO Investments	(1,802,065)	—	—	—	—	(1,802,065)
Dividends declared	(560,000)	—	—	—	—	(560,000)
Share-based compensation	—	—	50,519	—	—	50,519
Currency translation differences	—	—	—	—	(43,048)	(43,048)
Treasury shares held for the RSU scheme	—	—	—	(3)	—	(3)
As at December 31, 2021	1,238,489	30,632	50,519	(3)	(43,049)	1,276,588

27. Other reserves (continued)

The Company (continued)

	Share Premium (a)	Capital reserves (b)	Share-based payment reserves (d)	Shares held for RSU Scheme (e)	Currency translation differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2021	1,238,489	30,632	50,519	(3)	(43,049)	1,276,588
Share-based compensation	—	—	49,107	—	—	49,107
Share-based payments related to Pre-IPO Investments (Note 7(c))	—	—	628,811	—	—	628,811
Currency translation differences	—	—	—	—	57,152	57,152
As at June 30, 2022	1,238,489	30,632	728,437	(3)	14,103	2,011,658
(unaudited)						
As at January 1, 2021	—	30,632	—	—	(1)	30,631
Capital injection	3,600,554	—	—	—	—	3,600,554
Repurchased of shares in connection with Pre-IPO Investments	(1,802,065)	—	—	—	—	(1,802,065)
Dividends declared	(560,000)	—	—	—	—	(560,000)
Share-based compensation	—	—	8,308	—	—	8,308
Currency translation differences	—	—	—	—	(22,144)	(22,144)
Treasury shares held for the RSU scheme	—	—	—	(3)	—	(3)
As at June 30, 2021	1,238,489	30,632	8,308	(3)	(22,145)	1,255,281

(a) Share premium

In March 2021, certain Pre-IPO investors entered into a share purchase agreement with HH Global Capital and the Company (the "Share Purchase Agreement") , pursuant to which the Pre-IPO investors purchased 122,446,014 newly issued ordinary shares of the Company, and the Company repurchased 61,223,007 ordinary shares of the Company from HH Global Capital. As a result, in essence the Pre-IPO investors subscribed for 61,223,007 newly issued ordinary shares of the Company at a consideration of USD 274,500,000 and purchased 61,223,007 ordinary shares of the Company from HH Global Capital at a consideration of USD 274,500,000. The consideration paid by the Pre-IPO investors was settled on April 1, 2021. The repurchasing of shares from Controlling shareholders was settled on April 2, 2021.

27. Other reserves (continued)

The Company (continued)

(b) Capital reserves

As described in Note 1.2, on September 5, 2018, Luohe Hehe, Shanghai Jiafeng and Qorghas Liushi entered into a share transfer agreement, pursuant to which Shanghai Jiafeng and Qorghas Liushi transferred 90% shares and 9% shares of Weilong Commerce to Luohe Hehe at considerations of RMB 28,211,000 and RMB 2,821,000 respectively.

As described in Note 1.2, on January 22, 2019, Luohe Weilong Technology was incorporated in PRC by the Controlling Shareholders with a registered capital of RMB 20,000,000. On June 24, 2019, Weilong Commerce and the Controlling Shareholders entered into a share transfer agreement, pursuant to which the Controlling Shareholders transferred the entire shares of Luohe Weilong Technology to Weilong Commerce at a consideration of RMB 20,000,000.

As described in Note 1.2, on August 6, 2018, EFeng Investment entered into a share transfer agreement with Qorghas Liushi pursuant to which, EFeng Investment agreed to purchase and Qorghas Liushi agreed to sell the 1% equity interest of Weilong Commerce (the "Original Share Transfer"). To supplement to the Original Share Transfer, EFeng Investment, its ultimate individual owner and Qorghas Liushi also entered into a supplemental agreement, pursuant to which, Qorghas Liushi or its designated affiliate would have a right to repurchase the 100% equity interest of EFeng Capital, EFeng Investment and the 1% equity interest of Weilong Commerce at a transfer consideration of approximately RMB 713,000 within one year from date of the Original Share Transfer. On July 4, 2019, the individual owner transferred the 100% equity interest of EFeng Capital to the Company at a consideration of approximately RMB 713,000. The consideration was subsequently paid in January 2021.

(c) Statutory surplus reserves

In accordance with the relevant laws and regulations of the PRC, when distributing the net profit of each year, the Group shall set aside 10% of its profit after income tax (based on the PRC statutory financial statements and after offsetting accumulated losses from prior years) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the paid-in capital).

Statutory reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities.

(d) Share-based payments

The share-based payments reserve represents the portion of the grant date fair value of RSUs granted to the directors and employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in note 2.21 (d). Information relating to the share-based payments is set out in Note 10.

27. Other reserves (continued)

The Company (continued)

(e) Shares held for RSU Scheme

As described in Note 10, during the year ended December 31, 2021, to incentivize directors, senior management and employees, the RSU Scheme was approved and adopted by the Company. As of June 30, 2022, shares of 45,898,681 amounted to RMB 3,000 were allotted and issued to for the purpose of the RSU Scheme.

28. Deferred income

	As at December 31,			As at June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Beginning of the year/period	—	13,945	117,662	117,662	160,316
Government grants received	14,371	106,977	50,065	30,000	38,231
Transfers to other income (Note 6)	(426)	(3,260)	(3,525)	(1,898)	(1,941)
Offset with property, plant and equipment	—	—	(3,886)	—	—
End of the year/period	13,945	117,662	160,316	145,764	196,606

29. Trade and other payables

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
– Third parties	160,201	146,608	177,542	88,064
– Related parties (Note 35)	—	9,234	20,350	12,513
	160,201	155,842	197,892	100,577
Other payables:				
Salary and welfare payables	127,696	171,550	213,883	212,391
Amounts due to related parties (Note 35)	2,366	2,338	260	260
Deposits payables	23,107	23,158	53,667	90,962
Freight charges payables	24,707	25,099	22,169	19,761
Payables for purchase of property, plant and equipment	17,040	35,661	49,768	29,135
Tax payable	12,609	12,473	6,905	6,955
VAT payable related to contract liabilities	16,604	20,761	17,277	11,839
Utilities payables	6,435	6,068	9,234	6,292
Others	10,623	9,164	22,800	28,385
	241,187	306,272	395,963	405,980
	401,388	462,114	593,855	506,557

29. Trade and other payables (continued)

The aging analysis of the trade payables based on invoice date are as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	160,201	155,842	197,892	100,577

The carrying amounts of trade and other payables are considered to be approximately their fair values, due to their short-term nature.

30. Borrowings

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Included in current liabilities:				
Secured borrowings from bank	100,000	320,000	396,112	681,870
Unsecured borrowings from the companies controlled by the Controlling Shareholders (Note 35)	37,720	73,366	—	—
	137,720	393,366	396,112	681,870
Included in non-current liabilities:				
Secured borrowings from bank	—	—	64,000	137,300

(a) The weighted average effective interest rates (per annum) at year ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022 are set out as follows:

	As at December 31,			As at June 30,	
	2019	2020	2021	2021	2022
Borrowings from bank	4.57%	3.41%	3.02%	3.23%	2.76%
Unsecured borrowings from the companies controlled by the Controlling Shareholders	—	—	—	—	—

(b) Secured bank loans of the Group which were guaranteed and pledged are set out below:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Guaranteed & pledged	100,000	100,000	64,000	137,300
Guaranteed	—	220,000	396,112	681,870
	100,000	320,000	460,112	819,170

30. Borrowings (continued)

Borrowings from bank of the Group as at December 31, 2019 and 2020 were guaranteed by the Controlling Shareholders (Note 35) or pledged by buildings and land-use-right held by a subsidiary of the Company (Note 34). Borrowings from bank of the Group as at December 31, 2021 and June 30, 2022 were guaranteed by subsidiaries of the Company or pledged by land-use-right held by a subsidiary of the Company (Note 34).

(c) The maturity date of the borrowings were analyzed as follows：

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year				
– RMB	137,720	327,718	396,112	681,870
– USD	—	65,648	—	—
Between 1 and 2 years				
– RMB	—	—	50	1,470
Between 2 and 5 years				
– RMB	—	—	63,950	135,830
	137,720	393,366	460,112	819,170

(d) The fair values of the Group's borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(e) The Group's borrowings from the companies controlled by the Controlling Shareholders are interest free. The borrowings from banks are all at fixed rate during the Track Record Period. Details of the Group's exposure to risks arising from current borrowings are set out in Note 3.

(f) The Group has complied with the financial covenants of its borrowing during the Track Record Period and as of the date of this accountant's report.

31. Deferred income tax assets and deferred income tax liabilities

The deferred income tax assets and liabilities balance as at December 31, 2019, 2020 and 2021 and June 30, 2022 are as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
– to be recovered after more than 12 months	23,378	46,627	68,842	101,504
– to be recovered within 12 months	10,174	11,706	28,966	33,966
	33,552	58,333	97,808	135,470
Set-off of deferred tax liabilities pursuant to set-off provisions	(21,410)	(45,504)	(55,618)	(70,163)
Net deferred tax assets	12,142	12,829	42,190	65,307
Deferred income tax liabilities:				
– to be recovered after more than 12 months	(24,352)	(46,150)	(75,784)	(87,118)
– to be recovered within 12 months	(8,730)	(10,860)	(13,496)	(15,727)
	(33,082)	(57,010)	(89,280)	(102,845)
Set-off of deferred tax liabilities pursuant to set-off provisions	21,410	45,504	55,618	70,163
Net deferred tax liabilities	(11,672)	(11,506)	(33,662)	(32,682)

Movements in deferred income tax assets and deferred income tax liabilities during the Track Record Period are as follows:

Deferred income tax assets	Impairment of assets	Tax losses	Lease liabilities	Accruals	Unrealized profits	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	839	1,884	7,955	7,531	925	—	19,134
Credited/(charged) to profit or loss (Note 14)	1,429	1,432	(1,558)	9,619	3,496	—	14,418
As at December 31, 2019	2,268	3,316	6,397	17,150	4,421	—	33,552
(Charged)/credited to profit or loss (Note 14)	(2,068)	17,198	(1,582)	11,555	1,672	—	26,775
Disposal of a subsidiary	—	(230)	(1,464)	(300)	—	—	(1,994)
As at December 31, 2020	200	20,284	3,351	28,405	6,093	—	58,333
Credited/(charged) to profit or loss (Note 14)	26	1,446	168	14,880	(3,466)	26,421	39,475
As at December 31, 2021	226	21,730	3,519	43,285	2,627	26,421	97,808
(Charged)/credited to profit or loss (Note 14)	(111)	15,802	(1,073)	15,456	(1,293)	8,881	37,662
As at June 30, 2022	115	37,532	2,446	58,741	1,334	35,302	135,470
(unaudited)							
As at January 1, 2021	200	20,284	3,351	28,405	6,093	—	58,333
Credited/(charged) to profit or loss (Note 14)	—	10,539	(849)	6,385	(3,925)	23,721	35,871
As at June 30, 2021	200	30,823	2,502	34,790	2,168	23,721	94,204

31. Deferred income tax assets and deferred income tax liabilities (continued)

Movements in deferred income tax assets and deferred income tax liabilities during the Track Record Period are as follows (continued):

Deferred income tax liabilities	Withholding tax on unremitted earnings of PRC subsidiaries	Accelerated tax depreciation	Right-of-use assets	Unrealized investment income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	—	(15,438)	(9,121)	—	(24,559)
(Charged)/credited to profit or loss (Note 14)	(500)	(8,280)	1,864	(1,607)	(8,523)
As at December 31, 2019	(500)	(23,718)	(7,257)	(1,607)	(33,082)
Credited/(charged) to profit or loss (Note 14)	500	(26,940)	1,882	(899)	(25,457)
Disposal of a subsidiary	—	—	1,529	—	1,529
As at December 31, 2020	—	(50,658)	(3,846)	(2,506)	(57,010)
(Charged)/credited to profit or loss (Note 14)	—	(30,563)	176	(1,883)	(32,270)
As at December 31, 2021	—	(81,221)	(3,670)	(4,389)	(89,280)
(Charged)/credited to profit or loss (Note 14)	—	(8,857)	1,130	(5,838)	(13,565)
As at June 30, 2022	—	(90,078)	(2,540)	(10,227)	(102,845)
(unaudited)					
As at January 1, 2021	—	(50,658)	(3,846)	(2,506)	(57,010)
(Charged)/credited to profit or loss (Note 14)	—	(17,543)	917	(194)	(16,820)
As at June 30, 2021	—	(68,201)	(2,929)	(2,700)	(73,830)

32. Cash flow information

(a) Cash generated from operations

	Notes	For the year ended December 31,			For the six months ended June 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit/(loss) before income tax		866,508	1,078,337	1,096,632	471,257	(143,313)
Adjustments for:						
Net impairment losses on property, plant and equipment and other non-current assets	7	6,892	—	76	76	—
Depreciation of property, plant and equipment	17	38,156	50,518	91,983	40,722	57,808
Amortization of intangible assets	19	2,269	2,312	1,757	1,214	612
Amortization of right-of-use assets	18	11,705	12,690	12,696	6,141	5,826
Loss on disposal of property, plant and equipment	7	7,990	2,901	1,647	1,256	1,704

32. Cash flow information (continued)

(a) Cash generated from operations (continued)

	Notes	For the year ended December 31,			For the six months ended June 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
(Gain)/Loss on disposal of right-of-use assets		—	—	(367)	—	24
Fair value gains on financial assets at fair value through profit or loss	7	(13,978)	(36,597)	(27,416)	(13,240)	(22,711)
Settlement loss related to foreign exchange forward contract	7	—	—	—	—	5,238
Share of net profit of an associate accounted for using the equity method	13	(1,378)	(379)	—	—	—
Other income transferred from deferred income	28	(426)	(3,260)	(3,525)	(1,898)	(1,941)
Finance costs/(income), net	11	3,108	5,304	(19,246)	(5,898)	(23,733)
Impairment losses/(gains) on financial assets	3.1	—	600	303	—	(343)
Loss on disposal of an investment accounted for using the equity method	7	—	1,677	—	—	—
Gain on disposal of a subsidiary	7	—	(149)	—	—	—
Non-cash employee benefits expense—share based payments	9	—	—	50,519	8,308	49,107
Share-based payments related to Pre-IPO Investments	7	—	—	—	—	628,811
Net foreign exchange losses/(gains)		—	1,244	6,148	9,280	(12,285)

32. Cash flow information (continued)

(a) Cash generated from operations (continued)

	Notes	For the year ended December 31,			For the six months ended June 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Change in operating assets and liabilities:						
(Increase)/Decrease in restricted cash		(1,553)	(10,553)	11,812	8,460	294
(Increase)/Decrease in trade, other receivables and prepayments		(44,509)	(127,295)	(55,667)	108,840	57,082
(Increase)/Decrease in inventories		(93,759)	(149,998)	(63,229)	42,659	93,430
Increase/(Decrease) in contract liabilities	5	87,463	43,414	(52,668)	(37,661)	(35,018)
Increase/(Decrease) in trade and other payables		90,485	82,495	118,348	(3,818)	(66,665)
Cash generated from operations		958,973	953,261	1,169,803	635,698	593,927

(b) Reconciliation of liabilities from financing activities

This section sets out an analysis of net cash and the movements in net cash for each of the periods presented.

	Notes	As at December 31,			As at June 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Cash and cash equivalents	24	88,994	161,740	494,275	1,316,707	180,855
Financial assets at fair value through profit or loss	20	458,564	892,289	802,103	430,823	1,562,997
Restricted cash	24	1,553	12,106	294	53,646	165,000
Term deposits with initial term over three months	25	—	166,133	1,720,671	847,908	1,476,373
Borrowings	30	(137,720)	(393,366)	(460,112)	(311,450)	(819,170)
Lease liabilities	18	(25,812)	(17,482)	(14,715)	(13,431)	(9,785)
Net cash		385,579	821,420	2,542,516	2,324,203	2,556,270
Cash and liquid investments		549,111	1,232,268	3,017,343	2,649,084	3,385,225
Gross debt-fixed interest rates		(163,532)	(410,848)	(474,827)	(324,881)	(828,955)
Net cash		385,579	821,420	2,542,516	2,324,203	2,556,270

32. Cash flow information (continued)

(b) Reconciliation of liabilities from financing activities (continued)

	Liabilities from financing activities		
	Borrowings	Leases liabilities	Total
	RMB'000	RMB'000	RMB'000
Net debt as at January 1, 2019	(38,167)	(31,904)	(70,071)
Cash flows	(99,553)	10,630	(88,923)
Additions	—	(3,076)	(3,076)
Accrual interest	—	(1,462)	(1,462)
Net debt as at December 31, 2019	(137,720)	(25,812)	(163,532)
Cash flows	(255,646)	9,520	(246,126)
Additions	—	(6,152)	(6,152)
Accrual interest	—	(895)	(895)
Disposal	—	5,857	5,857
Net debt as at December 31, 2020	(393,366)	(17,482)	(410,848)
Cash flows	(70,634)	8,095	(62,539)
Additions	—	(5,571)	(5,571)
Accrual interest	3,888	(694)	3,194
Disposal	—	937	937
Net debt as at December 31, 2021	(460,112)	(14,715)	(474,827)
Cash flows	(358,300)	4,158	(354,142)
Additions	—	(690)	(690)
Accrual interest	(758)	(297)	(1,055)
Disposal	—	1,759	1,759
Net debt as at June 30, 2022	(819,170)	(9,785)	(828,955)
(unaudited)			
Net debt as at January 1, 2021	(393,366)	(17,482)	(410,848)
Cash flows	77,366	4,346	81,712
Accrual interest	4,550	(295)	4,255
Net debt as at June 30, 2021	(311,450)	(13,431)	(324,881)

33. Commitments

(a) Capital commitments

The Group has the following significant capital commitments not provided for as at December 31, 2019, 2020 and 2021 and June 30, 2022 respectively.

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	64,161	58,529	141,706	91,924

(b) Non-cancellable short-term leases and low-value leases

The Group leases various offices, warehouses, buildings and manufacturing equipment under non-cancellable leases contracts.

The Group has recognized right-of-use assets for leases, other than short-term and low-value leases, see Note 18 for further information. The commitment about short-term lease and low-value lease were as following:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	4,596	1,945	1,945	3,771

34. Assets pledged as security

The carrying amounts of assets pledged as security for current borrowings are:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Land–use–right	5,802	5,647	68,723	68,007
Buildings	18,727	17,639	—	—
	24,529	23,286	68,723	68,007

35. Related party transaction

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

35. Related party transaction (continued)

The owners, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the directors of the company, the related party transactions were carried out in normal course of business and at terms negotiated between the Group and the respective related parties.

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Names and relationships with related parties

Name of the related parties	Nature of relationship
Mr. Liu Weiping (劉衛平) & Mr. Liu Fuping (劉福平)	The Controlling Shareholders, directors of the Board
Qorghas Liushi Equity Investment LLP (霍爾果斯劉氏股權投資合夥企業(有限合夥))	A company controlled by the Controlling Shareholders
Shanghai Jiafeng Industrial Co., Ltd. (上海市嘉烽實業有限責任公司)	A company controlled by the Controlling Shareholders
Zhumadian Pingping Limited (駐馬店市平平食品有限公司)	A company controlled by the Controlling Shareholders
Luohe Delong Color Printing Development Co., Ltd. (漯河市德龍彩印發展有限公司)	A company significant influenced by the Controlling Shareholders
HH Global Capital Ltd (和和全球資本有限公司)	A shareholder of the Company

Delong Color Printing became a related party company on which the Controlling Shareholders had significant influence since May 2020 (Note 7).

On June 18, 2021, Shanghai Hongluo entered into a share transfer agreement with HH Global Capital (the "Share Transfer Agreement"), pursuant to which the Shanghai Hongluo purchased 24,533,810 ordinary shares of the Company from HH Global Capital at the aggregate consideration of US$110,000,000. The consideration paid by the Shanghai Hongluo was settled on June 25, 2021. As at December 31, 2021, approximately 91% ordinary shares are hold by the HH Global Capital.

As described in Note 7(c), on April 27, 2022, the Company issued to the Supplemental Agreement Investors in a total amount of 157,626,890 ordinary shares which was settled during the six months ended June 30, 2022. As at June 30, 2022, approximately 84% ordinary shares are held by the HH Global Capital.

* The English name of certain companies referred to above represent the best efforts made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

35. Related party transaction (continued)

(a) Amounts due to the Controlling shareholders

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Beginning of the year/period	—	713	714	714	—
Deemed contribution from the Controlling shareholders (Note 27)	(20,000)	—	—	—	—
Deemed distribution to the Controlling shareholders (Note 27)	20,713	—	—	—	—
Cash paid in relation to deemed distribution to the Controlling shareholders	—	—	—	—	—
Repayment to the controlling shareholder	—	—	(671)	(671)	—
Currency translation differences	—	1	(43)	(43)	—
End of the year/period	713	714	—	—	—

During the Track Record Period, amounts due to the Controlling Shareholders is unsecured, interest free and no appointed repayment date.

The balances of amounts due to the Controlling shareholders were non-trade in nature, and were settled in early 2021.

(b) Guarantees for borrowings

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings guaranteed by the Controlling Shareholders (Note 30)	100,000	320,000	—	—

Borrowings guaranteed by the Controlling Shareholders were non-trade in nature, and were released in early 2021.

(c) Borrowings from the companies controlled by the Controlling Shareholders

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Beginning of the year/period	38,167	37,720	73,366	73,366	—
Borrowings received	7,912	66,648	—	—	—
Repayments of borrowings	(8,359)	(31,002)	(73,366)	(73,366)	—
End of the year/period (Note 30)	37,720	73,366	—	—	—

35. Related party transaction (continued)

(c) Borrowings from the companies controlled by the Controlling Shareholders (continued)

During the Track Record Period, borrowings from the companies controlled by the Controlling Shareholders are unsecured, interest free, payment on demand and non-trade in nature and were settled in early 2021.

(d) Transactions with related parties

Other than those related party transactions with Controlling Shareholders, during the Track Record Period, the Group had the following significant transactions with other related parties.

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
– Zhumadian Pingping Limited				*(unaudited)*	
Purchase raw materials and machinery	390	78	—	—	—
Purchase utilities service	10,435	8,881	4,262	4,262	—
Property leasing	2,068	2,073	2,410	1,167	1,428
	12,893	11,032	6,672	5,429	1,428
– Delong Color Printing					
Purchase packaging products	—	61,474	125,851	54,699	50,321

(e) Outstanding balances in relation with transactions with related parties

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Balances due to related parties				
– Zhumadian Pingping Limited	1,653	1,624	260	260
– Delong Color Printing	—	9,234	20,350	12,513
	1,653	10,858	20,610	12,773

As of December 31, 2019, 2020 and 2021 and June 30, 2022, the above outstanding balances were related to the transactions as disclosed in Note 35 (d), which were trade in nature.

35. Related party transaction (continued)

(f) Key management personnel compensation

Key management compensation for the Track Record Period, other than those relating to the emoluments of the directors of the Company being disclosed in Note 36, are set out below:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Wages, salaries and bonuses	23,693	25,805	24,634	13,109	17,829
Contributions to pension plans	180	120	224	123	179
Welfare and other expenses	126	102	213	117	181
Share-based payment expenses	—	—	30,146	4,166	30,232
	23,999	26,027	55,217	17,515	48,421

36. Benefits and interests of directors

(a) Directors' emoluments

For the year ended December 31, 2019	Fees	Salary	Discretionary bonus	Share-based payment expenses	Contribution to pension plan	Welfare, medical and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Weiping Liu (劉衛平)	—	8,741	—	—	30	21	8,792
Mr. Fuping Liu (劉福平)	—	8,741	—	—	30	21	8,792
	—	17,482	—	—	60	42	17,584

For the year ended December 31, 2020	Fees	Salary	Discretionary bonus	Share-based payment expenses	Contribution to pension plan	Welfare, medical and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Weiping Liu (劉衛平)	—	9,360	—	—	20	17	9,397
Mr. Fuping Liu (劉福平)	—	9,360	—	—	20	17	9,397
	—	18,720	—	—	40	34	18,794

36. Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

For the year ended December 31, 2021	Fees	Salary	Discretionary bonus	Share-based payment expenses	Contribution to pension plan	Welfare, medical and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr. Weiping Liu (劉衛平)	—	8,496	—	—	37	33	8,566
Mr. Fuping Liu (劉福平)	—	8,496	—	—	37	33	8,566
Mr. Hongzhi Peng (彭宏志)	—	1,478	—	7,664	39	39	9,220
Mr. Lin Chen (陳林)	—	1,260	—	6,834	20	16	8,130
Mr. Liu Zhongsi (劉忠思)	—	796	—	8,628	22	24	9,470
	—	20,526	—	23,126	155	145	43,952
Non-executive directors							
Mr. Wei Mao (毛衛)	—	—	—	—	—	—	—
Ms. Lili Xu (徐黎黎)	159	—	—	—	—	—	159
Mr. Bihong Zhang (張弼弘)	159	—	—	—	—	—	159
Ms. Dongmei Xing (邢冬梅)	159	—	—	—	—	—	159
	477	—	—	—	—	—	477
	477	20,526	—	23,126	155	145	44,429

36. Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

For the six months ended June 30, 2022	Fees	Salary	Discretionary bonus	Share-based payment expenses	Contribution to pension plan	Welfare, medical and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr. Weiping Liu (劉衛平)	—	4,744	—	—	30	30	4,804
Mr. Fuping Liu (劉福平)	—	4,744	—	—	30	30	4,804
Mr. Yinong Sun (孫亦農)(i)	—	925	—	2,901	10	10	3,846
Mr. Hongzhi Peng (彭宏志)	—	1,655	—	7,157	30	30	8,872
Mr. Lin Chen (陳林)	—	1,388	—	7,060	30	30	8,508
Mr. Zhongsi Liu (劉忠思)	—	1,846	—	7,311	30	30	9,217
	—	15,302	—	24,429	160	160	40,051
Non-executive directors							
Mr. Wei Mao (毛衛) (ii)	—	—	—	—	—	—	—
Ms. Lili Xu (徐黎黎)	119	—	—	—	—	—	119
Mr. Bihong Zhang (張弼弘)	119	—	—	—	—	—	119
Ms. Dongmei Xing (邢冬梅)	119	—	—	—	—	—	119
	357	—	—	—	—	—	357
	357	15,302	—	24,429	160	160	40,408

36. Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

For the six months ended June 30, 2021 (unaudited)	Fees	Salary	Discretionary bonus	Share-based payment expenses	Contribution to pension plan	Welfare, medical and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr. Weiping Liu (劉衛平)	—	4,680	—	—	14	12	4,706
Mr. Fuping Liu (劉福平)	—	4,680	—	—	14	12	4,706
Mr. Hongzhi Peng (彭宏志)	—	328	—	973	9	9	1,319
Mr. Lin Chen (陳林)	—	261	—	821	5	4	1,091
	—	9,949	—	1,794	42	37	11,822
Non-executive directors							
Mr. Wei Mao (毛衛)	—	—	—	—	—	—	—
Ms. Lili Xu (徐黎黎)	40	—	—	—	—	—	40
Mr. Bihong Zhang (張弼弘)	40	—	—	—	—	—	40
Ms. Dongmei Xing (邢冬梅)	40	—	—	—	—	—	40
	120	—	—	—	—	—	120
	120	9,949	—	1,794	42	37	11,942

(i) Mr. Yinong Sun (孫亦農) was appointed as the executive director on April 27, 2022.

(ii) Mr. Wei Mao (毛衛) resigned from his position as the non-executive director of the Company on April 27, 2022.

(b) Directors' retirement benefits

There were no retirement benefits paid to or receivable by any director in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries during the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022.

(c) Directors' termination benefits

There were no termination benefits paid to or receivable by any director during the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022.

36. Benefits and interests of directors (continued)

(d) Consideration provided to third parties for making available directors' services

No payment was made to the directors for making available the services of them as a director of the Company during the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022.

(e) Information about loans, quasi-loans and other dealings in favors of directors

Other than those disclosed in Note 35, there were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favor of the directors during the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022.

37. Contingency

As at December 31, 2019, 2020 and 2021 and at June 30, 2022, there were no significant contingencies items for the Group and the Company.

38. Subsequent events

(a) The potential financial impact of COVID-19

The COVID-19 pandemic has severely affected China and many other countries globally in recent years and has not shown the indication of its end. While the Group has considered the potential impact of COVID-19 pandemic in the preparation of the Historical Financial Statements, the Group is unable to quantify the full extent of the related financial effects. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and the Group's assets may be subject to impairment loss in the subsequent financial periods. The Group will pay close attention to the development of the COVID-19 pandemic and is evaluating its impact on the financial position and operating results of the Group.

(b) New grants under the RSU Scheme

In December 2022, the Company granted an aggregate of 10,254,671 RSUs under the RSU Scheme to selected eligible participants with performance and service conditions at a nil consideration to incentivize them for the Group's future development (the "December 2022 Awards"). The December 2022 Awards were recognized as equity-settled share-based payment.

38. Subsequent events (continued)

(b) New grants under the RSU Scheme (continued)

Share-based payment expenses relating to the December 2022 Awards were calculated based on the grant date fair value of these RSUs and then recognized on a straight-line basis over the entire vesting periods for each tranche starting from the grant date. The Company is evaluating the financial impact relating to the December 2022 Awards on its consolidated financial statements.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2022 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2022.

The information set forth in this appendix II does not form part of the "Accountant's Report" from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the sections headed "Financial Information" and the "Appendix I – Accountant's Report".

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2022 and based on the consolidated net tangible assets attributable to the owners of the Company as at June 30, 2022 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma 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 the financial position of the Group had the Global Offering been completed as at June 30, 2022 or at any future date.

	Audited consolidated net tangible assets attributable to the owners of the Company as at June 30, 2022	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at June 30, 2022**	**Unaudited pro forma adjusted consolidated net tangible assets per share**	
	Note 1	*Note 2*		*Note 3*	*Note 4*
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
Based on the Offer Price of HK$9.36 per share after a Downward Offer Price Adjustment of 10%	4,122,734	769,605	4,892,339	2.08	2.27
Based on the Offer Price of HK$10.40 per share	4,122,734	857,707	4,980,441	2.12	2.31
Based on the Offer Price of HK$11.40 per share	4,122,734	942,420	5,065,154	2.15	2.35

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of the Company as at June 30, 2022 is extracted from the Accountant's Report set forth in Appendix I to the prospectus, which is based on the audited consolidated net assets attributable to the owners of the Company as at June 30, 2022 of RMB4,136,090,000 with an adjustment for the intangible assets attributable to the owners of the Company as at June 30, 2022 of RMB13,356,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$10.40 and HK$11.40 per share and also based on the Offer Price of HK$9.36 per share after making a Downward Offer Price Adjustment of 10% after deduction of the estimated underwriting fees and other related expenses payable by the Company (excluding RMB42,776,000 which had been charged to the consolidated statements of profit or loss up to June 30, 2022), and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per share are determined after the adjustments as described in note (2) above and on the basis that 2,351,145,578 shares are in issue, assuming the Global Offering had been completed on June 30, 2022 but takes no account of any shares which may fall to be issued upon the exercise of the Over-Allotment Option.

(4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.9164. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2022.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of WEILONG Delicious Global Holdings Ltd

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of WEILONG Delicious Global Holdings Ltd (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at June 30, 2022, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated December 5, 2022, in connection with the proposed initial public offering of the shares of the Company, (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at June 30, 2022 as if the proposed initial public offering had taken place at June 30, 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the six months ended June 30, 2022, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at June 30, 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in other jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, December 5, 2022

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on November 25, 2022 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "Documents Available on Display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on November 25, 2022 and include provisions to the following effect:

2.1 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) *Power to dispose of the assets of the Company or any subsidiary*

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) *Compensation or payment for loss of office*

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) *Loans to Directors*

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) *Financial assistance to purchase Shares*

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all traveling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) *Retirement, appointment and removal*

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director proposed by the chairperson of the board of Directors and signed by not less than a majority in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the

shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorized representative at least one-third of the voting rights of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have the right to speak; (b) on a show of hands every member present in any such manner shall have one vote; and (c) on a poll every member present in such manner shall have one vote for every share of which he is the holder.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorized representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorized shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which that person represents as that recognized clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year, to be held within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. The annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorized by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavor to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favor of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorized by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorize payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realized or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by check or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the

Company or to such person and to such address as the holder or joint holders may in writing direct. Every such check or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorized in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorized representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or

premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by installments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or installment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancelation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at

such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorized representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorized representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company

in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, given notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 6, 2018 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands on July 6, 2018 as an exempted company with limited liability. Our registered office address is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this prospectus.

Our registered place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 30, 2021 with the Registrar of Companies in Hong Kong. Mr. PENG Hongzhi and Mr. LI Kin Wai have been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

As at the date of this prospectus, our Company's head office was located at Southwest Corner, Intersection of Dongfanghong Road and Zhongshan Road, Shaoling District Luohe City, Henan Province, China.

2. Changes in Share Capital

On July 6, 2018, our Company was incorporated in the Cayman Islands as an exempted company. Upon the incorporation, our Company issued one ordinary share with a par value of US$0.01 to Vistra (Cayman) Limited which was nil-paid, and Vistra (Cayman) Limited subsequently transferred such share to HH Global Capital on the same date.

On the same day, the Company allotted additional 9,999 shares with a par value of US$0.01 each to HH Global Capital and the initial nil-paid share was fully paid, for a total consideration of US$100. Upon completion of the transfer and allotment, HH Global Capital holds 10,000 issued ordinary shares in the Company.

On March 31, 2021, the Company conducted a share subdivision and the authorized share capital was sub-divided from US$50,000 consisting of 5,000,000 ordinary shares of a par value of US$0.01 each to US$50,000 consisting of 5,000,000,000 shares of a par value of US$0.00001 each. The Company then issued a total of 1,980,000,000 shares to the then existing shareholder, HH Global Capital, at a consideration of US$19,800.

On March 31, 2021, the Company also entered into the Pre-IPO Share Purchase Agreement with among others, HH Global Capital and the March Pre-IPO Investors, pursuant to which the March Pre-IPO Investors subscribed for 122,446,014 newly issued ordinary shares of the Company, accounting for approximately 5.43% of the Company's issued ordinary shares immediately prior to the Global Offering, and the Company repurchased 61,223,007 ordinary shares from HH Global Capital. For details of the Pre-IPO Share Purchase Agreement, see the section headed "History and Reorganization – Pre-IPO Investments" in this prospectus.

On June 18, 2021, HH Global Capital entered into a share transfer agreement with Shanghai Hongluo Enterprise Management Consulting Partnership (Limited Partnership) (上海泓漯企業管理諮詢合夥企業(有限合夥)) ("**Shanghai Hongluo**"), pursuant to which HH Global Capital agreed to transfer 24,533,810 ordinary shares

of the Company to Shanghai Hongluo. For details of the share transfer agreement, see the section headed "History and Reorganization – Pre-IPO Investments" in this prospectus.

On April 27, 2022, the Company further entered into a supplemental agreement of share purchase agreement with among others, HH Global Capital and the Pre-IPO Investors, pursuant to which the Pre-IPO Investors further purchased a total of 157,626,890 ordinary shares allotted by the Company, accounting for approximately 6.99% of the Company's issued ordinary shares immediately prior to the Global Offering. For details of the supplemental agreement of share purchase agreement, see the section headed "History and Reorganization – Pre-IPO Investments" in this prospectus.

On May 7, 2021 and April 27, 2022, the Company issued and allotted 41,389,000 and 4,509,681 ordinary shares, respectively, to Weilong Future Development Limited, representing in aggregate approximately 2.04% of the total issued Shares of the Company prior to the Global Offering, to be held on trust pursuant to the RSU Scheme. For details of the RSU Scheme, see the section headed "Statutory and General Information – D. Employee Incentive Scheme" in Appendix IV to this prospectus.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

3. **Changes in the share capital of our subsidiaries**

A summary of the corporate information and the particulars of our subsidiaries are set out in Appendix I to this prospectus.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

Hehe Foods

On October 23, 2020, the registered capital of Hehe Foods was increased from USD0.5 million to USD4.6 million.

On January 15, 2021, the registered capital of Hehe Foods was increased from USD4.6 million to USD20.06 million.

On December 2, 2021, the registered capital of Hehe Foods was increased from USD20.06 million to USD33.06 million.

Weilong Commerce

On December 17, 2020, the registered capital of Weilong Commerce was increased from RMB30 million to RMB300 million.

Weidao Foods

On November 10, 2020, the registered capital of Weidao Foods was increased from RMB10 million to RMB250 million.

Xinglin Foods

On November 10, 2020, the registered capital of Xinglin Foods was increased from RMB30 million to RMB200 million.

Lewei Agricultural Foods Processing

On November 10, 2020, the registered capital of Lewei Agricultural Foods Processing was increased from RMB10 million to RMB50 million.

Lewei Seasoning Processing

On November 10, 2020, the registered capital of Lewei Seasoning Processing was increased from RMB10 million to RMB20 million.

Shanghai Weilong Information Technology

On January 22, 2021, Shanghai Weilong Information Technology was incorporated as a limited liability company in the PRC with the registered capital of USD2 million.

Nanning Weilai Commerce

On February 5, 2021, Nanning Weilai Commerce was incorporated as a limited liability company in the PRC with the registered capital of RMB1 million.

Luliang Weilong Foods

On February 19, 2021, Luliang Weilong Foods was incorporated as a limited liability company in the PRC with the registered capital of RMB100 million.

Xinyi Weidao

On May 27, 2021, Xinyi Weidao was incorporated as a limited liability company in the PRC with the registered capital of RMB1 million.

Shanghai Digital Technology

On May 26, 2021, Shanghai Digital Technology was incorporated as a limited liability company in the PRC with the registered capital of RMB1 million.

On February 16, 2022, the registered share capital of Shanghai Digital Technology was increased from RMB1 million to RMB5 million.

Shanghai Weidao Trade

On December 20, 2021, Shanghai Weidao Trade was incorporated as a limited liability company in the PRC with the registered capital of RMB1 million.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

Save for the subsidiaries mentioned in the Accountant's Report set out in Appendix I to this prospectus, our Company has no other subsidiaries.

4. **Resolutions of the Shareholders of Our Company dated November 25, 2022**

On November 25, 2022, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "Structure of the Global Offering – Conditions of the Global Offering" and pursuant to the terms set out therein:

(a) the Company approved and adopted the Memorandum and Articles of Association with effect conditional and immediately upon the Listing;

(b) the Global Offering and the grant of the Over-allotment Option were approved and any executive Director of our Company from time to time or (if applicable), any of his/their duly authorized attorney (the "**Authorized Signatory**") were authorized to allot and issue the Shares pursuant to the Global Offering and the exercise of the Over-allotment Option;

(c) the Listing was approved and any Authorized Signatory would be authorized to implement the Listing;

(d) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares; and (iii) a specific authority granted by the Shareholder(s) in general meeting, shall not exceed the aggregate of:

(A) 20% of the total number of Shares in issue immediately following the completion of the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and

(B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below,

Such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting (the "Relevant Period"); and

(e) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option of the Company in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on November 25, 2022, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker

appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as canceled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Companies Act.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) ***Reasons for Repurchases***

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) ***Funding of Repurchases***

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) ***General***

The exercise in full of the Repurchase Mandate, on the basis of 2,351,145,578 Shares in issue immediately following the completion of the Global Offering, but the Over-allotment Option is not exercised, could accordingly result in up to approximately 235,114,558 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than the highest of (i) 15% of the Company's total issued share capital; (ii) such percentage of Shares held by the public after completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (iii) such percentage of Shares held by the public after the full or partial exercise of the Over-allotment Option could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

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 prospectus and are or may be material:

(a) the share purchase agreement dated March 31, 2021 entered into among WEILONG Delicious Global Holdings Ltd, HH Global Capital Ltd, HH Global Holdings Ltd, EFeng Capital Ltd, HH International Enterprise Limited, EFeng Investment Development Limited, Luohe Hehe Food Technology Co., Ltd. (漯河和和食品科技有限責任公司), Luohe Weilong Trading Co., Ltd. (漯河市衛龍商貿有限公司), LIU Weiping (劉衛平), LIU Fuping (劉福平) and each of the investors listed in Schedule A thereto (namely, CPE Investment XVIII Limited, CWL Management XVIII Limited, CWL Food Co-invest Limited, AUT-IV Holdings Limited, Image Flag Investment (HK) Limited, Duckling Fund, L.P., YF Demeter Limited, Harmony Capital Limited, Oceanpine Focus Fund LP, Oceanpine Investment Fund II LP and SCC Growth VI Holdco F, Ltd. (each an "**Investor**", and collectively, the "**Investors**")), pursuant to which WEILONG Delicious Global Holdings Ltd

agreed to (1) issue and sell a total amount of 122,446,014 ordinary shares of the Company with par value of US$0.00001 each for a total consideration of US$549,000,000; and (2) repurchase 61,223,007 ordinary shares of the Company with par value of US$0.00001 each from HH Global Capital Ltd for a total consideration of US$274,500,000 as set forth in Schedule B-2 to the share purchase agreement;

(b) the shareholders agreement dated March 31, 2021 entered into among WEILONG Delicious Global Holdings Ltd, HH Global Holdings Ltd, EFeng Capital Ltd, HH International Enterprise Limited, EFeng Investment Development Limited, Luohe Hehe Food Technology Co., Ltd. (漯河和和食品科技有限責任公司), Luohe Weilong Trading Co., Ltd. (漯河市衛龍商貿有限公司), LIU Weiping (劉衛平), LIU Fuping (劉福平), HH Green Philosophy Ltd, HH Innovation Group Ltd, HH Global Capital Ltd and each of the Investors as defined in item (a) above regarding the shareholders' rights in WEILONG Delicious Global Holdings Ltd;

(c) the joinder agreement dated June 18, 2021 entered into between 上海泓漯企業管理諮詢合夥企業(有限合夥) (Shanghai Hongluo Enterprise Management Consulting Partnership (Limited Partnership)) and WEILONG Delicious Global Holdings Ltd, pursuant to which 上海泓漯企業管理諮詢合夥企業(有限合夥) (Shanghai Hongluo Enterprise Management Consulting Partnership (Limited Partnership)) agreed, among others, to be considered an "Investor", a "Party", a "Shareholder" for all purpose of the shareholders agreement dated March 31, 2021 as described in item (b) above, and to be bound by all of the terms, provisions and conditions contained therein;

(d) the joinder agreement dated January 24, 2022 entered into between Oceanpine Focus Fund LP and WEILONG Delicious Global Holdings Ltd, pursuant to which Oceanpine Focus Fund LP agreed, among others, to be considered an "Investor", a "Party", a "Shareholder" for all purpose of the shareholders agreement dated March 31, 2021 as described in item (b) above, and to be bound by all of the terms, provisions and conditions contained therein;

(e) the supplemental agreement of share purchase agreement dated April 27, 2022 entered into among WEILONG Delicious Global Holdings Ltd, HH Global Holdings Ltd, EFeng Capital Ltd, HH International Enterprise Limited, EFeng Investment Development Limited, Luohe Hehe Food Technology Co., Ltd. (漯河和和食品科技有限責任公司), Luohe Weilong Trading Co., Ltd. (漯河市衛龍商貿有限公司), LIU Weiping (劉衛平), LIU Fuping (劉福平), HH Green Philosophy Ltd, HH Innovation Group Ltd, HH Global Capital Ltd and each of the investors listed in Schedule A thereto (namely, CPE Investment XVIII Limited, CWL Management XVIII Limited, CWL Food Co-invest Limited, AUT-IV Holdings Limited, Image Flag Investment (HK) Limited, Duckling Fund, L.P., YF Demeter Limited, Harmony Capital Limited, Oceanpine Focus Fund LP, SCC Growth VI Holdco F, Ltd. and Shanghai Hongluo Enterprise Management Consulting Partnership (Limited Partnership) (上海泓漯企業管理諮詢合夥企業(有限合夥)) (collectively, the "**Supplemental Agreement Investors**")), pursuant to which WEILONG Delicious Global Holdings Ltd agreed to issue and sell a total amount of 157,626,890 ordinary shares with par value of US$0.00001 each for a total consideration of US$1,576.2689;

(f) the amended and restated shareholders agreement dated April 27, 2022 entered into among WEILONG Delicious Global Holdings Ltd, HH Global Holdings Ltd, EFeng Capital Ltd, HH International Enterprise Limited, EFeng Investment Development Limited, Luohe Hehe Food Technology Co., Ltd. (漯河和和食品科技有限責任公司), Luohe Weilong Trading Co., Ltd. (漯河市衛龍商貿有限公司), LIU Weiping (劉衛平), LIU Fuping (劉福平), HH Green Philosophy Ltd, HH Innovation Group Ltd, HH Global Capital Ltd, Weilong Future Development Limited and each of the Supplemental Agreement Investors as defined in item (e) above regarding the shareholders' rights in WEILONG Delicious Global Holdings Ltd;

(g) the cornerstone investment agreement dated December 1, 2022 entered into between our Company, Media Global Management Limited, Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, pursuant to which Media Global Management Limited agreed to subscribe for such number of Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of US$31,000,000 (including brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee);

(h) the cornerstone investment agreement dated December 1, 2022 entered into between our Company, Sunshine Life Insurance Co., Ltd. (陽光人壽保險股份有限公司) ("Sunshine Insurance"), Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, pursuant to which Sunshine Insurance agreed to subscribe for such number of Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of US$30,000,000 (excluding brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee);

(i) the cornerstone investment agreement dated December 1, 2022 entered into between our Company, Prospect Bridge Value L.P., Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, pursuant to which Prospect Bridge Value L.P. agreed to subscribe for such number of Shares of the Company at the Offer Price in an aggregate of such amount of HK$102,800,000 (including brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee); and

(j) the Hong Kong Underwriting Agreement.

2. **Intellectual Property Rights**

(a) ***Trademarks***

(i) *Trademarks Registered in the PRC*

As at the Latest Practicable Date, we had registered the following trademarks in the PRC which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
1.		Weilong Commerce	29	10982116	13/09/2023
2.		Weilong Commerce	29	6650816	13/03/2030
3.		Weilong Commerce	5	7482716	20/04/2031
4.		Weilong Commerce	30	6650818	13/09/2030
5.		Weilong Commerce	29	8510733	27/02/2032
6.		Weilong Commerce	30	7676495	13/01/2024
7.		Weilong Commerce	30	10380532	13/03/2024
8.	WEILONG DELICIOUS	Weilong Commerce	30	42302686	20/12/2030
9.		Weilong Commerce	30	20203794	27/07/2027
10.	卫龙美味	Weilong Commerce	29	44410626	27/12/2030
11.	卫来	Ping Ping Foods	14	16027489	06/03/2026
12.		Weilong Commerce	30	20163749	20/07/2027
13.		Weilong Commerce	30	14600646	20/07/2025
14.	亲嘴豆皮 豆A	Weilong Commerce	29	41190750	20/05/2030

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
15.		Weilong Commerce	29	18639020	27/01/2027
16.		Weilong Commerce	29	8350704	06/01/2032
17.		Weilong Commerce	30	8333199	27/05/2031
18.		Weilong Commerce	30	8350703	27/04/2032
19.		Weilong Commerce	29	53346486	20/10/2031
20.		Ping Ping Foods	33	8387754	06/12/2031
21.		Weilong Commerce	30	26555980	27/01/2030
22.		Weilong Commerce	29	26094437	27/05/2029
23.	风吃海带	Weilong Commerce	29	31505735	20/07/2029
24.		Weilong Commerce	29	61860739	27/07/2032
25.		Weilong Commerce	30	14600648	20/07/2025
26.	芋爽	Weilong Commerce	29	14312684	13/05/2025

(ii) *Trademark Registered in Hong Kong*

As at the Latest Practicable Date, we had registered the following trademark in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
1.		Ping Ping Foods	29, 30	303955230	06/11/2026

(iii) *Trademarks Applications Pending in Hong Kong*

As at the Latest Practicable Date, we had applied for the registration of the following trademarks in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Application Number
1.		Ping Ping Foods	32, 35	305466853
2.		Ping Ping Foods	29, 30, 32, 35	305466844

(b) ***Copyrights***

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	Registration Date (dd/mm/yy)
1.	Graphic Design of Weilong Logo 衛龍標識設計圖樣	Weilong Commerce	Guozuodengzi-2022-F-10079094	14/04/2022
2.	Package for Fengchi Kelp 包裝（衛龍風吃海帶）	Weilong Commerce	Guozuodengzi-2020-F-01033794	19/05/2020
3.	Package for 18 grams Konjac Shuang 包裝袋（18克魔芋爽）	Weilong Commerce	Guozuodengzi-2019-F-00949928	26/12/2019
4.	魔芋爽字體 Font for Konjac Shuang	Weilong Commerce	Guozuodengzi-2019-F-00949947	26/12/2019
5.	魔芋爽實拍圖 Picture for Konjac Shuang	Weilong Commerce	Guozuodengzi-2020-F-01033795	19/05/2020
6.	Packaging Bag for 35g of Konjac Shuang 包裝袋（魔芋爽35克專銷）	Weilong Commerce	Guozuodengzi-2020-F-01061779	30/06/2020
7.	Packaging Bag (for e-commerce) for Konjac Shuang 包裝袋（電商魔芋爽）	Weilong Commerce	Guozuodengzi-2020-F-01061777	30/06/2020
8.	魔芋粉字體 Font for Konjac Fen	Weilong Commerce	Guozuodengzi-2019-F-00949921	26/12/2019
9.	Packaging Bag for Kiss Burn 包裝袋（親嘴燒）	Weilong Commerce	Guozuodengzi-2020-F-00967773	08/01/2020
10.	Packaging Bag for Kiss Burn A 包裝袋（親嘴燒A）	Weilong Commerce	Guozuodengzi-2019-F-00914571	04/11/2019
11.	Packaging Bag for 96g of Kiss Burn 包裝袋（96克親嘴燒）	Weilong Commerce	Guozuodengzi-2019-F-00949924	26/12/2019
12.	Packaging Bag for Kiss Burn 包裝袋（親嘴燒）	Weilong Commerce	Guozuodengzi-2022-F-10079094	14/04/2022
13.	Packaging Bag for 96g of Weilong Kiss Burn 包裝（衛龍96g親嘴燒）	Weilong Commerce	Guozuodengzi-2020-F-01033806	19/05/2020
14.	Package Box (Cake) 包裝盒（燒）	Weilong Commerce	Guozuodengzi-2019-F-00914572	04/11/2019

No.	Copyright	Copyright Owner	Registration Number	Registration Date (dd/mm/yy)
15.	Packaging Bag for 60g of Kiss Tofu Skin 包裝袋（60克親嘴豆皮）	Weilong Commerce	Guozuodengzi-2019-F-00949923	26/12/2019
16.	Packaging for 70g of Weilong Kiss Tofu Skin 包裝（衛龍70g親嘴豆皮）	Weilong Commerce	Guozuodengzi-2020-F-01033805	19/05/2020
17.	Packaging Bag for Big Latiao 大麵筋包裝袋	Weilong Commerce	Guozuodengzi-2022-F-10079094	14/04/2022
18.	Packaging Bag for 106g of Big Latiao 包裝袋（106克大麵筋）	Weilong Commerce	Guozuodengzi-2019-F-00949950	26/12/2019
19.	Packaging Bag for 68g of Big Latiao 包裝袋（68克大麵筋）	Weilong Commerce	Guozuodengzi-2019-F-00949922	26/12/2019
20.	Card for Big Latiao 大麵筋卡頭	Weilong Commerce	Guozuodengzi-2022-F-10079094	14/04/2022
21.	Packaging for 106g of Weilong Big Latiao 包裝（衛龍106g大麵筋）	Weilong Commerce	Guozuodengzi-2020-F-01033811	19/05/2020
22.	Picture of Big Latiao 大麵筋實拍圖	Weilong Commerce	Guozuodengzi-2020-F-01061778	30/06/2020
23.	Packaging Bag for Weilong Mini Latiao 衛龍小麵筋包裝袋	Weilong Commerce	Guozuodengzi-2022-L-10079091	14/04/2022
24.	Packaging Bag for Mini Latiao in bulk 包裝袋（散裝小麵筋）	Weilong Commerce	Guozuodengzi-2019-F-00949926	26/12/2019
25.	Packaging for 5 connected bags of Weilong 32g Mini Latiao (spicy flavor) 包裝（衛龍5連包 32g小麵筋香辣味）	Weilong Commerce	Guozuodengzi-2020-F-01033801	19/05/2020
26.	Packaging for 52g of Weilong Big Hot Stick 包裝（衛龍52g大辣棒）	Weilong Commerce	Guozuodengzi-2020-F-01033798	19/05/2020
27.	Packaging for Kiss Burn in bulk 包裝（衛龍散裝親嘴條）	Weilong Commerce	Guozuodengzi-2020-F-01033796	19/05/2020

(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	Patentee	Place of Registration	Patent Number	Application Date (dd/mm/yy)	Registration Date (dd/mm/yy)
1.	Packaging bag (78g of Konjac Shuang)	Weilong Commerce	PRC	ZL201830280262.7	06/06/2018	02/04/2019
2.	Packaging bag (Big Latiao * 106g)	Weilong Commerce	PRC	ZL201530314583.0	20/08/2015	10/02/2016
3.	Packaging bag (leisure mini latiao *30g)	Weilong Commerce	PRC	ZL201930359844.9	08/07/2019	03/01/2020
4.	Packaging bag (circulation mini latiao *30g)	Weilong Commerce	PRC	ZL201930360101.3	08/07/2019	07/02/2020
5.	Packaging bag (Bean A)	Weilong Commerce	PRC	ZL201530472324.0	23/11/2015	27/04/2016
6.	Packing carton (soft boiled eggs)	Weilong Commerce	PRC	ZL201930392273.9	23/07/2019	17/04/2020

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

1. Particulars of Directors' service contracts and appointment letters

(a) ***Executive Directors***

Each of our executive Directors have entered into a service contract with us pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the date of their appointments. Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management – Remuneration and Compensation of Directors and Senior Management".

(b) ***Independent non-executive Directors***

Each of the independent non-executive Directors has entered into an appointment letter with our Company. The initial term for their appointment letters shall be three years from the date of their appointments or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

2. Remuneration of Directors

(a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) During the three years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, the aggregate amount of fees, salaries, discretionary bonuses, share-based payment expenses, pension plan contributions, welfare, medical and other expenses we paid to our Directors were approximately RMB17,584,000, RMB18,794,000, RMB44,429,000 and RMB40,408,000, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this prospectus.

(c) Under the arrangements currently in force, it is estimated that the aggregate amount of remuneration of our Directors (including of fees, salaries, discretionary bonuses, share-based payment expenses, pension plan contributions, welfare, medical and other expenses) for the year ending December 31, 2022 will be approximately RMB92,858,677.

(d) No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or

has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

(e) Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

3. **Disclosure of interests**

(a) ***Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering***

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company, 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 Issuers contained in the Listing Rules, will be as follows:

Name of Director or chief executive	Nature of interest	Number of securities	Approximate percentage of interest in our Company immediately after the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of interest in our Company immediately after the Global Offering (assuming the Over-allotment Option is fully exercised)
LIU Weiping[(1)(2)(3)]	Beneficiary of trust	1,904,243,183	80.99%	80.50%
LIU Fuping[(1)(2)(3)]	Beneficiary of trust	1,904,243,183	80.99%	80.50%
SUN Yinong[(4)]	Beneficial Owner	7,326,683	0.31%	0.31%
PENG Hongzhi[(5)]	Beneficial Owner	5,601,592	0.24%	0.24%
LIU Zhongsi[(6)]	Beneficial Owner	6,521,919	0.28%	0.28%
CHEN Lin[(7)]	Beneficial Owner	5,122,216	0.22%	0.22%

Notes:

(1) The Integrity Trust is a trust established for the benefit of HH Green Philosophy (a wholly-owned subsidiary of Mr. LIU Weiping) and HH Innovation Group (a wholly-owned subsidiary of Mr. LIU Fuping), with Mr. LIU Weiping and Mr. LIU Fuping acting as the protectors and The Core Trust Company Limited acting as the trustee. The Integrity Trust is interested in 95% of shareholding in HH Global Capital through two intermediary entities, namely Amused Town Limited and Adroit Fairy Limited.

(2) The He He Trust is a trust established for the benefit of HH Green Philosophy (a wholly-owned subsidiary of Mr. LIU Weiping) and HH Innovation Group (a wholly-owned subsidiary of Mr. LIU Fuping), with Mr. LIU Weiping and Mr. LIU Fuping acting as the protectors

and The Core Trust Company Limited acting as the trustee. The He He Trust is interested in 5% of shareholding in HH Global Capital through two intermediary entities, namely Beacon Flash Limited and Decision Stone Limited.

(3) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. LIU Weiping and Mr. LIU Fuping, through their trust vehicles and various intermediary subsidiaries (including HH Global Capital, Amused Town Limited, Decision Stone Limited, Adroit Fairy Limited, Beacon Flash Limited, HH Green Philosophy and HH Innovation Group), will be collectively interested in approximately 80.99% of our enlarged issued share capital, thus they will remain as the group of our Controlling Shareholders. Accordingly, each of Mr. LIU Weiping and Mr. LIU Fuping is deemed to be interested in the 1,904,243,183 Shares held by HH Global Capital for purpose of Part XV of the SFO.

(4) Mr. SUN Yinong is interested in 7,326,683 underlying Shares relating to the RSUs granted to him pursuant to the RSU Scheme.

(5) Mr. PENG Hongzhi is interested in 5,601,592 underlying Shares relating to the RSUs granted to him pursuant to the RSU Scheme.

(6) Mr. LIU Zhongsi is interested in 6,521,919 underlying Shares relating to the RSUs granted to him pursuant to the RSU Scheme.

(7) Mr. CHEN Lin is interested in 5,122,216 underlying Shares relating to the RSUs granted to him pursuant to the RSU Scheme.

(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 Global Offering, 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, please refer to the section headed "Substantial Shareholders" in this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

4. **Disclaimers**

Save as disclosed in this prospectus:

(a) none of the Directors or any experts named in the paragraph headed "E. Other Information – 4. 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 prospectus, 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) none of the Directors or any experts named in the paragraph headed "E. Other Information – 4. Consents of Experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(c) none of our Directors or any of experts named in the paragraph headed "E. Other Information – 4. Consents of Experts" below has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(d) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, 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 member of the Group;

(e) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he 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 entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates or our Shareholders who are interested in more than 5% of the share capital of our Group has any interests in the five largest customers or the five largest supplier of our Group.

D. EMPLOYEE INCENTIVE SCHEME

(a) Background

The Company has adopted an RSU Scheme by a resolution of our Shareholders on January 1, 2021. On May 7, 2021 and April 27, 2022, the Company has allotted and issued an aggregate of 45,898,681 Shares to Weilong Future Development Limited, representing approximately 2.04% of the total amount of the Shares in issue prior to the Global Offering, to be held on trust by SWCS Trust Limited (the "**Trustee**"). The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(b) Purposes of the RSU Scheme

The purposes of the RSU Scheme is to incentivize and reward participants who have contributed to the development of Group over the years.

(c) RSU Awards

An award of restricted share units under the RSU Scheme (the "**Award(s)**") gives a participant in the RSU Scheme a conditional right when the Award vests to obtain Shares, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion.

(d) RSU Participants in the RSU Scheme

Participants of the RSU Scheme (the "**RSU Participants**") are selected by the Board from our directors (executive or non-executive, but excluding independent non-executive directors), management, officers and existing employees of the Company or any member of the Group.

(e) Term of the Scheme

Subject to any early termination as may be determined by the Board pursuant to paragraph (r) below, the RSU Scheme shall be valid and effective for the period of 10 years commencing on the date of adoption (the "**Term of the RSU Scheme**"), after which no further Awards will be granted, but the provisions of the RSU Scheme shall in all other aspects remain in full force and effect and all the Awards granted to the RSU Participants under the RSU Scheme shall continue to be held by the Trustee and become vested in the RSU Participants according to the conditions of the Award, subject to the receipt by the Trustee of the transfer documents prescribed by the Trustee and duly executed by the RSU Participants.

(f) Grant of Award

On and subject to the limitations and conditions of the RSU scheme, and the terms and conditions that the Board imposes, the Board shall be entitled at any time during the term of the RSU Scheme to make a grant to any RSU Participant at its sole discretion.

The number of RSUs to be granted shall be determined at the sole and absolute discretion of the Board and may differ among selected RSU Participants.

Awards may be granted on such terms and conditions (including a period of continued service within the Group after the Award) as the Board may deem appropriate in its absolute discretion. Notwithstanding any other provisions of the RSU Scheme, subject to applicable laws and regulations, the Board shall be at liberty to waive any grant conditions.

After the Board has decided to make a grant of RSUs to any RSU Participant, the Board shall send a grant notice (the "**Grant Notice**") to such RSU Participant with a copy thereof to the Trustee within 10 business days after the grant was made, setting out, among others, the number of RSUs so granted and the conditions (if any) upon which such RSUs were granted. The number of RSUs specified in the Grant Notice shall constitute the definitive number of RSUs being granted to such RSU Participant.

(g) Acceptance of Award

An Award shall be deemed to be irrevocably accepted by an RSU Participant unless the RSU Participant notifies the Company in writing that he would decline to accept such Award within five (5) business days after receipt of the Grant Notice.

(h) Restrictions on Grants

No grant shall be made in any of the following circumstances:

(i) when the RSU Participant would or might be prohibited from dealing in the Shares by any applicable rules, regulations or laws;

(ii) where the Company has information that must be disclosed under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong, as amended from time to time) until such inside information has been announced in accordance with the requirements of the Listing Rules.

Where any RSU is proposed to be granted to a director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

(i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half- year period up to the publication date of the results.

(i) Rights Attached to the Awards

An RSU Participant shall not have any interest or rights (including the right to receive dividends) in the RSUs prior to the date on which an Award is vested on the RSU Participant (the "**Vesting Date**").

No instructions shall be given by an RSU Participant (including, without limitation, voting rights) to the Trustee in respect of the RSUs that have not been vested, and such other properties of the trust fund managed by the Trustee.

(j) Awards to be personal to the Grantee

Prior to the Vesting Date, any Award made under the RSU Scheme shall be personal to the RSU Participant to whom it is made and shall not be assignable and no RSU Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to the RSUs referable to him pursuant to such Award, other than directing the company which he is directly interested in (the "**Designated Company**") to take up the Award.

(k) Disqualification of RSU Participants

Unless the Board determines otherwise, the circumstances under which a person shall be treated as having ceased to be an RSU Participant shall include, without limitation, the following:

(i) where such person has committed any act of fraud or dishonesty or serious misconduct, whether or not in connection with his employment or engagement by any member of the Group and whether or not it has resulted in his employment or engagement being terminated by the relevant member of the Group;

(ii) where such person has been declared or adjudged to be bankrupt by a competent court or governmental body or has failed to pay his debts as they fall due (after the expiry of any applicable grace period) or has entered into any arrangement or composition with his creditors generally or an administrator has taken possession of any of his assets;

(iii) where such person has been convicted of any criminal offense, which is determined by the Board in its absolute discretion as implicating his integrity or honesty;

(iv) where such person has been convicted of or is being held liable for any offense under or any breach of the SFO or other securities laws or regulations in Hong Kong or any other applicable laws or regulations in force from time to time; or

(v) any other circumstances as the Board considers appropriate from time to time.

In the event that prior to or on the Vesting Date, an RSU Participant ceases or otherwise is deemed by the Board to cease to be an RSU Participant in the abovementioned circumstances (i) to (v), the relevant Award made to such RSU Participant shall automatically lapse forthwith and the relevant RSUs shall not vest on the relevant Vesting Date but shall remain part of the Trust Fund. Such RSU Participant shall have no right or claim against the Company, any other member of the Group, the Board, the Trust or the Trustee or with respect to those or any other Shares or any right thereto or interest therein in any way.

(l) Lapse of RSU

Any unvested RSUs will automatically lapse immediately where:

(i) such RSU Participant's employment or service with the Group terminates for any reason; or

(ii) the RSU Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs, other than to his Designated Companies.

All RSUs which have not been vested shall automatically lapse and such RSU Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares if at any time, a Participant:

(i) fails, during the course of his employment, to devote the whole of his time and attention to the business of the Group or to use his best endeavors to develop the business and interests of the Group;

(ii) is concerned during the course of his employment with the Group (without the prior written consent of the Company) with any (competitive or other) business other than that of the Group; and/or

(iii) is in breach of his contract of employment with or any other obligation to the Group,

If the RSU Participant's employment or service with the Company or any member of the Group is terminated by reason of retirement, death or disability, the Board shall determine at its absolute discretion and shall notify the RSU Participant whether any unvested RSUs granted to such RSU Participant shall vest and the period within which such RSUs shall vest. If the Board determines that such RSUs shall not vest, such RSUs shall be canceled automatically with effect from the date on which the RSU Participant's employment or service is terminated.

(i) Subject to the preceding paragraph, in the event of the death of an RSU Participant, the Trustee shall hold the vested RSUs (hereinafter referred to as "**Benefits**") upon trust and to transfer the same to the legal personal representatives of the RSU Participant and subject as aforesaid the Trustee shall hold the Benefits or so much thereof as shall not be transferred or applied under the foregoing powers within (a) one year of the death of the RSU Participant (or such longer period as the Board shall agree from time to time) or (b) the Trust Period (whichever is shorter) upon trust to transfer the same to the legal personal representatives of the RSU Participant; or

(ii) If the Benefits would otherwise become bona vacantia, the Benefits shall be forfeited and cease to be transferable and such Benefits shall remain part of the Trust Fund.

(m) Cancelation of RSU

The Board may at its discretion cancel any RSUs that has not vested or lapsed, provided that:

(i) the Company or any member of the Group pay to the RSU Participant an amount equal to the fair value of the RSUs at the date of the cancelation as determined by the Board, after consultation with the auditors or an independent financial adviser appointed by the Board;

(ii) the Company or the relevant member of the Group provides to the RSU Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be canceled; or

(iii) the Board makes any arrangement as the RSU Participant may agree in order to compensate him/her for the cancelation of the RSUs.

(n) Takeovers and Mergers, Compromise or Arrangement, Voluntary Winding-up and Rights Issue

(i) If there occurs an event of change in control of the Company, whether by way of offer, merger, scheme of arrangement or otherwise prior to the vesting date, the Trustee shall seek instructions from the Board to determine whether any or all the RSUs shall vest and the time at which such RSUs shall vest. Subject to the Board's instructions as aforesaid and subject further to the receipt by the Trustee of duly executed prescribed transfer documents on or before such time as the Trustee may determine, the Trustee shall transfer the RSUs to the RSU Participant.

(ii) If a compromise or arrangement between the Company and its shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and a notice is given by the Company to its shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such shareholders' approval is obtained, a Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

(iii) If an effective resolution is passed during the Trust Period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. In such case, no Shares will be transferred, and no cash alternative will be paid, to the RSU Participant, but the RSU Participant will be entitled to receive out of the assets available in liquidation on an equal basis with the Company's shareholders such sum as they would have received in respect of the RSUs.

(iv) In the event of a subdivision or consolidation of the Shares, such RSU Participants shall be entitled to those RSUs as so subdivided or consolidated and the Board shall as soon as reasonably practicable after such subdivision or consolidation has been effected, notify each such RSU Participant of the number of RSUs that he has become entitled to on vesting after such subdivision or consolidation (as the case may be).

(o) Amendment of the RSU Scheme

(i) The RSU Scheme may be amended in any respect by a resolution of the Board provided that no such amendment shall operate to affect materially and adversely any subsisting rights of any RSU Participant hereunder without the consent in writing of the majority RSU Participants whose RSUs amount to three-fourths or more in nominal value of all Shares so held by the Trustee on the effective date of such amendment. The Board's determination as to whether any proposed alteration to the terms and conditions of this Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

(ii) Written notice of any amendment to the RSU Scheme shall be given to all RSU Participants and the Trustee.

(p) Administration of the RSU Scheme

(i) The Scheme shall be subject to the administration of the Board and the Trustee in accordance with the rules of the Scheme, including the power to construe and interpret these Scheme Rules and the terms of the RSUs granted under it. The decision of the Board with respect to any matter arising under the Scheme (including the interpretation of any provision) shall be final and binding.

(ii) The Board may delegate the authority to administer this Scheme to a committee of the Board. The Board may also appoint one or more independent third-party contractors to assist in the administration of this Scheme and delegate such powers and/or functions relating to the administration of this Scheme as the Board thinks fit. The Board's determinations under this Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it. Each Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and the Board's administration of this Scheme.

(iii) The Trustee shall hold the Trust Fund in accordance with the terms of the Trust Deed.

(q) Termination of the RSU Scheme

The RSU Scheme will terminate on the earlier of:

(i) the tenth (10) anniversary date of the date of adoption; and

(ii) such date of early termination as determined by the Board by a resolution of the Board,

provided that such termination shall not affect any subsisting rights of any RSU Participant under the RSU Scheme.

(r) General

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying any Awards which may be granted pursuant to the RSU Scheme.

The Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Scheme, including the Grant Date, number of Shares involved, the vesting period, the appointment and arrangement with the RSU Trustee and comply with Chapter 14A of the Listing Rules. Details of the RSU Scheme, including particulars and movements of the

RSUs granted during each financial year of our Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report.

(s) Details of the Awards granted

As of the date of this prospectus, an aggregate number of Shares underlying the Awards granted amounted to 45,898,681 Shares, and the Awards had been granted to 274 RSU Participants under the RSU Scheme, of which four of the RSU Participants are Directors and three of the RSU Participants are the director or chief executive at subsidiary level. As such, the RSUs in respect of all Shares under the RSU Scheme have been issued in full immediately before Listing. No further Awards will be granted under the RSU Scheme after Listing. Material information of the Awards granted pursuant to the RSU Scheme are set out as below:

1. The Awards granted in January 2021

On January 1, 2021, RSUs in respect of an aggregate of 4,764,000 Shares were granted by our Company to a total number of 21 Participants, representing approximately 0.21% of the total issued share capital of the Company immediately prior to the Global Offering (the "**January 2021 Awards**"). All the January 2021 Awards were granted with nil consideration and will be vested and unlocked pursuant to the terms of the respective grant letters to the individual RSU Participant. All the January 2021 Awards will be subject to the lock-up period as below or until the completion of the Global Offering, whichever is later:

- 15% of which will be vested and unlocked on January 1, 2022;
- 15% of which will be vested and unlocked on January 1, 2023;
- 20% of which will be vested and unlocked on January 1, 2024;
- 20% of which will be vested and unlocked on January 1, 2025;
- 20% of which will be vested and unlocked on January 1, 2026; and
- 10% of which will be vested and unlocked on January 1, 2027.

2. The Awards granted in October 2021

On October 10, 2021, RSUs in respect of an aggregate of 32,295,893 Shares, representing approximately 1.43% of the total issued share capital of the Company immediately prior to the Global Offering were granted by our Company with nil consideration to a total of 196 RSU Participants (the "**October 2021 Awards**"). The grantees of the October 2021 Awards include the Special Assistant to the President, Vice-Presidents, heads of departments, managers and other employees, and the Awards granted will be vested and unlocked pursuant to the terms of the respective grant letters to the individual RSU Participant.

3. The Awards granted in May 2022

On May 17, 2022, RSUs in respect of an aggregate of 2,135,376 Shares, representing approximately 0.09% of the total issued share capital of the Company immediately prior to the Global Offering were granted by our Company with nil consideration to a total of 52 RSU Participants (the "**May 2022 Awards**"). The grantees of the May 2022 Awards include the heads of departments, managers and other employees, and the Awards granted will be vested and unlocked pursuant to the terms of the respective grant letters to the individual RSU Participant.

4. The Awards granted in December 2022

On December 1, 2022, RSUs in respect of an aggregate of 10,254,671 Shares, representing approximately 0.45% of the total issued share capital of the Company immediately prior to the Global Offering were granted by our Company with nil consideration to a total of 154 RSU Participants (the "**December 2022 Awards**"). The grantees of the December 2022 Awards will include Chief Executive Officer, Senior Vice-Presidents, heads of departments, managers and other employees, and the Awards to be granted will be vested and unlocked pursuant to the terms of the respective grant letters to the individual RSU Participant.

Details of the Awards granted to Directors and connected persons of our Company are set out as below:

Grantee	Address	Relationship with the Company	Dates of grant	Number of Awards granted	Total number of Awards granted	Approximately shareholding percentage in the total issued Shares immediately prior to the Global Offering
SUN Yinong	116-501 Guihua Xincun Canglang District Suzhou, Jiangsu PRC	Executive Director and Chief Executive Officer	October 10, 2021 December 1, 2022	6,660,621 666,062	7,326,683	0.32%
PENG Hongzhi	Room 603, Building 15 Chuangye Huayuan Dongfanghong Road Shaoling District Luohe, Henan PRC	Executive Director, Chief Financial Officer and Senior Vice-President	January 1, 2021 October 10, 2021 December 1, 2022	558,000 4,534,356 509,236	5,601,592	0.25%

Grantee	Address	Relationship with the Company	Dates of grant	Number of Awards granted	Total number of Awards granted	Approximately shareholding percentage in the total issued Shares immediately prior to the Global Offering
LIU Zhongsi	Room 103, Unit 2 Building 1 Chuangye Huayuan Dongfanghong Road Shaoling District Luohe, Henan PRC	Executive Director and Senior Vice-President	January 1, 2021 October 10, 2021 December 1, 2022	697,000 5,231,950 592,969	6,521,919	0.29%
CHEN Lin	West 5th Floor, Unit 3 B07, Shuanghui Guoji Huayuan Luohe, Henan PRC	Executive Director and Senior Vice-President	January 1, 2021 October 10, 2021 December 1, 2022	471,000 4,185,560 465,656	5,122,216	0.23%
YU Feng	Room 701 Building 7, Shangpin Huating No. 1557 Shengui Road Minhang District Shanghai PRC	director and general manager at subsidiary level	January 1, 2021 October 10, 2021 December 1, 2022	488,000 3,400,767 972,192	4,860,959	0.22%
LI Shaonan	Room 601, Unit 3 C06 Shuanghui Guoji Huayuan Luohe, Henan PRC	director and general manager at subsidiary level	January 1, 2021 October 10, 2021 December 1, 2022	174,000 87,890 26,189	288,079	0.013%
LIU Yanqing	Room 301, Unit 2 B06, Shuanghui Guoji Huayuan Luohe, Henan PRC	director and general manager at subsidiary level	January 1, 2021 October 10, 2021 December 1, 2022	278,000 506,453 78,445	862,898	0.038%

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this prospectus and 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 application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Joint Sponsors, pursuant to which our Company agreed to pay each Joint Sponsor a fee of US$500,000 to act as a sponsor to our Company in the Global Offering.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and/or the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Morgan Stanley Asia Limited	Licensed 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 under the SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed 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
UBS Securities Hong Kong Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap.50) Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap.588)
Commerce & Finance Law Offices	Qualified PRC Lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	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 prospectus 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 Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. **Compliance Adviser**

Our Company have appointed Mont Avenir Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

8. **Preliminary Expenses**

The preliminary expenses of the Global Offering are estimated to be approximately RMB25,000 and are payable by our Company.

9. **No Material Adverse Change**

The Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2022.

10. **Miscellaneous**

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(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) Save as disclosed in this prospectus:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) 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

(iii) 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.

(c) 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 prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, 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.

(d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

(e) Save as disclosed in this prospectus, 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) There has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months.

(g) Save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

(h) There is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong; and

(i) There is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) A copy of each of the **GREEN** Application Form;

(b) A copy of each of the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 4. Consents of Experts" in Appendix IV to this prospectus; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus.

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.weilongshipin.com** during a period of 14 days from the date of this prospectus:

(a) the Memorandum and the Articles of our Company;

(b) the Accountant's Report and the report on unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the texts of which are set out in Appendices I and II to this prospectus;

(c) the consolidated financial statements of our Group for each of the three years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022;

(d) the PRC legal opinions issued by Commerce & Finance Law Offices, our legal advisor on PRC law, in respect of certain general corporate matters and property interests of our Group;

(e) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on Cayman Islands law, summarizing certain aspects of the Companies Act referred to in Appendix III to this prospectus;

(f) the Cayman Companies Act;

(g) the written consents referred to under the paragraph headed "Statutory and General Information – E. Other Information – 4. Consents of Experts" in Appendix IV to this prospectus;

(h) the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus;

(i) the service contracts and the letters of appointment with our Directors referred to in "Statutory and General Information – C. Further Information about Our Directors – 1. Particulars of Directors' service contracts and appointment letters" in Appendix IV to this prospectus;

(j) the report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this prospectus; and

(k) the terms of the RSU Scheme.