
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety 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 the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We mainly produce, and to a lesser extent trade, dried food products and snacks in Jiangxi Province, and to a lesser extent, Sichuan Province and Hubei Province. Established in 2002, we first developed our business from producing dried food products. Leveraging our experience and established brand name in dried food products production, we first expanded our business into snack production and introduced fragrant lotus seeds in early 2019. In view of the expected growth of the vegetable and meat snack market, we further launched our vegetable snacks in August 2019 and then our meat snacks in January 2021. According to Frost & Sullivan Report, we were ranked fifth with market share of approximately 0.4% of the snack food market in Jiangxi Province, in terms of revenue in 2021. The market size of Jiangxi Province’s snack food industry accounted for approximately 1.7% of China’s snack food industry in 2021.

OUR BUSINESS MODEL

We produce and sell a variety of (i) snacks (including vegetable snacks and meat snacks) such as bamboo shoots crisps and roasted duck necks; and (ii) packaged dried food products such as fungi, dried aquatic products, algae, grains and seasonings in the PRC. We generally (i) source raw materials from our suppliers, (ii) process the raw materials and package products at our own production facilities, and (iii) sell the products under our own “Shengyao (聲耀)” and “Gangweifang (贛味坊)” brands. We also purchase dried candied fruit, nuts and other products in bulk from suppliers and sell to retailers and corporate customers without further processing in the PRC. We believe the trading business model allows us to introduce selected products to enrich our product offerings and to fully utilise our sales channels and marketing resources to cater customers’ needs and preferences.

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The following table sets forth the breakdown of our revenue categorised by business models and by brands during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Manufacturing										
Shengyao (聲耀)	205,826	69.2	208,308	73.6	221,060	64.6	88,339	60.7	132,601	79.4
Gangweifang (贛味坊) . . .	17,609	5.9	20,641	7.3	29,292	8.6	15,467	10.6	12,236	7.3
Subtotal	<u>223,435</u>	<u>75.1</u>	<u>228,949</u>	<u>80.9</u>	<u>250,352</u>	<u>73.2</u>	<u>103,806</u>	<u>71.3</u>	<u>144,837</u>	<u>86.7</u>
Trading	73,963	24.9	53,940	19.1	91,646	26.8	41,789	28.7	22,119	13.3
Total	<u>297,398</u>	<u>100.0</u>	<u>282,889</u>	<u>100.0</u>	<u>341,998</u>	<u>100.0</u>	<u>145,595</u>	<u>100.0</u>	<u>166,956</u>	<u>100.0</u>

Our revenue generated from Shengyao brand products increased (i) from FY2019 to FY2020 mainly due to our introduction of vegetable snacks and increase in sales of dried cuttlefish to Customer B; (ii) from FY2020 to FY2021 mainly due to our introduction of meat snacks, which was partially offset by the decrease in revenue from nuts, seeds and candied fruits as we ceased to produce and sell fragrant lotus seeds; and (iii) from 6M2021 to 6M2022 mainly due to increased sales of our vegetable and meat snacks. For details, please refer to the paragraph headed “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (a) Revenue by business models and by brands — Shengyao” in this prospectus.

The revenue generated from our trading business (i) decreased from FY2019 to FY2020 mainly due to the decrease in sales of dried delicacies and dried aquatic products in loose package or without brands which are less convenient to be delivered and stored at home during lockdown period; (ii) increased from FY2020 to FY2021 due to increase in sales of dried delicacies and dried aquatic products in line with increased customer traffic in supermarkets; and (ii) decreased from 6M2021 to 6M2022 due to our business strategy to prioritise promotion and sales of our own-branded products. For details, please refer to the paragraph headed “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (a) Revenue by business models and by brands — Trading” in this prospectus.

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The following table sets forth the breakdown of our revenue categorised by business models and by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Manufacturing										
Snacks	116,752	39.3	119,495	42.2	141,973	41.5	54,883	37.7	73,990	44.3
Dried delicacies	68,370	23.0	57,494	20.3	49,544	14.5	25,179	17.3	31,963	19.1
Dried aquatic products . . .	15,903	5.3	44,457	15.7	46,522	13.6	17,270	11.9	29,299	17.5
Grains	19,656	6.6	5,335	1.9	10,284	3.0	5,679	3.9	8,096	4.9
Seasonings and others . . .	2,754	0.9	2,168	0.8	2,029	0.6	795	0.5	1,489	0.9
Subtotal.	223,435	75.1	228,949	80.9	250,352	73.2	103,806	71.3	144,837	86.7
Trading										
Snacks	11,667	3.9	17,931	6.3	29,086	8.5	18,850	13.0	3,477	2.1
Dried delicacies	18,430	6.2	12,960	4.6	37,866	11.1	12,196	8.4	18,508	11.1
Dried aquatic products . . .	30,813	10.4	8,508	3.0	12,480	3.7	5,441	3.7	N/A	0.0
Grains	9,135	3.1	12,564	4.5	11,075	3.2	4,822	3.3	92	0.1
Seasonings and others . . .	3,918	1.3	1,977	0.7	1,139	0.3	480	0.3	42	0.0
Subtotal.	73,963	24.9	53,940	19.1	91,646	26.8	41,789	28.7	22,119	13.3
Total	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

The revenue generated from our snacks under the manufacturing business increased (i) from FY2019 to FY2020 due to our introduction of vegetable snacks; (ii) from FY2020 to FY2021 mainly due to our introduction of meat snacks, which was partially offset by the decrease in revenue from nuts, seeds and candied fruits as we ceased to produce and sell fragrant lotus seeds; and (iii) from 6M2021 to 6M2022 mainly due to increased sales of our vegetable and meat snacks. For details, please refer to the paragraph headed “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (b) Revenue by product lines — Snacks” in this prospectus.

The revenue generated from our dried aquatic products under the manufacturing business increased from FY2019 to FY2020 primarily due to the increase in sales of dried cuttlefish to Customer B. For details, please refer to the paragraph headed “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — (a) Revenue by business models and by brands — Shengyao” in this prospectus.

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OUR BRANDS

Each of our “Shengyao (聲耀)” and “Gangweifang (贛味坊)” brand carries a variety of products. While “Shengyao (聲耀)” brand is generally used for our dried delicacies, dried aquatic products and vegetable and meat snack products, our “Gangweifang (贛味坊)” brand is generally used for our dried candied fruits and nuts products.

OUR PRODUCTS

We offer a large and evolving range of diverse product portfolio covering five types of products including (i) snacks; (ii) dried delicacies; (iii) dried aquatic products; (iv) grains; and (v) seasonings and others. As at 30 June 2022 and the Latest Practicable Date, our product portfolio included 564 and 583 types of snacks, and 625 and 630 types of dried food products, respectively.

The following table sets forth the breakdown of our revenue categorised by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Snacks	128,419	43.2	137,426	48.6	171,059	50.0	73,733	50.6	77,467	46.4
Dried delicacies	86,800	29.2	70,454	24.9	87,410	25.6	37,375	25.7	50,471	30.2
Dried aquatic products	46,716	15.7	52,965	18.7	59,002	17.3	22,712	15.6	29,299	17.6
Grains	28,791	9.7	17,899	6.3	21,358	6.2	10,501	7.2	8,188	4.9
Seasonings and others	6,672	2.2	4,145	1.5	3,169	0.9	1,274	0.9	1,531	0.9
Total	<u>297,398</u>	<u>100.0</u>	<u>282,889</u>	<u>100.0</u>	<u>341,998</u>	<u>100.0</u>	<u>145,595</u>	<u>100.0</u>	<u>166,956</u>	<u>100.0</u>

The revenue generated from our snacks increased during the Track Record Period primarily due to the increase in revenue of our own-branded snacks. Please refer to the discussion in the paragraph headed “Our Business Model” in this section.

SUMMARY

The following table sets forth the breakdown of our revenue from snacks categorised by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	<i>% to</i>	<i>% to</i>	<i>% to</i>	<i>% to</i>	<i>% to</i>	<i>% to</i>	<i>% to</i>	<i>% to</i>	<i>% to</i>	<i>% to</i>
	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>
	RMB'000	revenue	RMB'000	revenue	RMB'000	revenue	RMB'000	revenue	RMB'000	revenue
	<i>(unaudited)</i>									
Own brands										
Vegetable	10,938	3.7	54,838	19.4	50,781	14.9	18,861	13.0	21,456	12.9
Meat	—	N/A	—	N/A	60,668	17.7	19,862	13.6	38,481	23.0
Nuts, seeds and candied										
fruits.	105,814	35.6	64,657	22.9	30,524	8.9	16,160	11.1	14,053	8.4
Subtotal.	116,752	39.3	119,495	42.3	141,973	41.5	54,883	37.7	73,990	44.3
Other brands.	11,667	3.9	17,931	6.3	29,086	8.5	18,850	12.9	3,477	2.1
Total	128,419	43.2	137,426	48.6	171,059	50.0	73,733	50.6	77,467	46.4

Our revenue from nuts, seeds and candied fruits decreased significantly in FY2021, which was mainly due to the decrease in sale of fragrant lotus seeds as we decided to cease to produce and sell such products in anticipation of increasing cost of lotus seeds and declining market demand based on the decreasing sales of such products in FY2020 as compared to FY2019.

The following table sets forth the breakdown of our gross profit and gross profit margin categorised by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>
	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>
	RMB'000	margin %	RMB'000	margin %	RMB'000	margin %	RMB'000	margin %	RMB'000	margin %
	<i>(unaudited)</i>									
Snacks	32,757	25.5	43,551	31.7	59,189	34.6	21,973	29.8	26,887	34.7
Dried delicacies	32,492	37.4	22,055	31.3	25,578	29.3	11,438	30.6	15,360	30.4
Dried aquatic products	17,390	37.2	16,499	31.2	16,259	27.6	5,776	25.4	8,386	28.6
Grains	11,509	40.0	7,114	39.7	6,416	30.0	2,837	27.0	2,772	33.9
Seasonings and others.	2,103	31.5	1,369	33.0	1,038	32.8	401	31.5	564	36.9
Total	96,251	32.4	90,588	32.0	108,480	31.7	42,425	29.1	53,969	32.3

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The following table sets forth the breakdown of our gross profit and gross profit margin categorised by business models and by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>	
	<i>RMB'000</i>	<i>margin %</i>	<i>RMB'000</i>	<i>margin %</i>	<i>RMB'000</i>	<i>margin %</i>	<i>RMB'000</i>	<i>margin %</i>	<i>RMB'000</i>	<i>margin %</i>
	<i>(unaudited)</i>									
Manufacturing										
Snacks	28,886	24.7	37,946	31.8	51,555	36.3	17,443	31.8	25,909	35.0
Dried delicacies	27,618	40.4	19,515	33.9	15,755	31.8	7,942	31.5	10,399	32.5
Dried aquatic products	5,477	34.4	13,215	29.7	13,203	28.4	4,418	25.6	8,386	28.6
Grains	7,703	39.2	2,379	44.6	2,879	28.0	1,331	23.4	2,769	34.2
Seasonings and others	1,013	36.8	909	41.9	730	36.0	274	34.4	556	37.4
Subtotal	<u>70,697</u>	<u>31.6</u>	<u>73,964</u>	<u>32.3</u>	<u>84,122</u>	<u>33.6</u>	<u>31,408</u>	<u>30.3</u>	<u>48,019</u>	<u>33.2</u>
Trading										
Snacks	3,871	33.2	5,605	31.3	7,634	26.2	4,530	24.0	978	28.1
Dried delicacies	4,874	26.4	2,540	19.6	9,823	25.9	3,496	28.7	4,961	26.8
Dried aquatic products	11,913	38.7	3,284	38.6	3,056	24.5	1,358	25.0	—	N/A
Grains	3,806	41.7	4,735	37.7	3,537	31.9	1,506	31.2	3	3.1
Seasonings and others	1,090	27.8	460	23.3	308	27.0	127	26.7	8	19.3
Subtotal	<u>25,554</u>	<u>34.5</u>	<u>16,624</u>	<u>30.8</u>	<u>24,358</u>	<u>26.6</u>	<u>11,017</u>	<u>26.4</u>	<u>5,950</u>	<u>26.9</u>
Total	<u>96,251</u>	<u>32.4</u>	<u>90,588</u>	<u>32.0</u>	<u>108,480</u>	<u>31.7</u>	<u>42,425</u>	<u>29.1</u>	<u>53,969</u>	<u>32.3</u>

SUMMARY

Snacks

The following table sets forth the breakdown of the gross profit and gross profit margin of our snacks categorised by product lines during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	<i>Gross</i> <i>profit</i> RMB'000	margin %	<i>Gross</i> <i>profit</i> RMB'000	margin %	<i>Gross</i> <i>profit</i> RMB'000	margin %	<i>Gross</i> <i>profit</i> RMB'000	margin %	<i>Gross</i> <i>profit</i> RMB'000	margin %
	<i>(unaudited)</i>									
Own brands										
Vegetable	3,125	28.6	19,684	35.9	16,020	31.5	6,129	32.5	8,606	40.1
Meat.	—	N/A	—	N/A	29,078	47.9	8,573	43.2	13,254	34.4
Nuts, seeds and candied fruits	25,761	24.3	18,262	28.2	6,457	21.2	2,741	17.0	4,049	28.8
Subtotal	28,886	24.7	37,946	31.8	51,555	36.3	17,443	31.8	25,909	35.0
Other brands.	3,871	33.2	5,605	31.3	7,634	26.2	4,530	24.0	978	28.1
Total	<u>32,757</u>	<u>25.5</u>	<u>43,551</u>	<u>31.7</u>	<u>59,189</u>	<u>34.6</u>	<u>21,973</u>	<u>29.8</u>	<u>26,887</u>	<u>34.7</u>

Our gross profit margin for snacks continuously increased from approximately 25.5% in FY2019 to approximately 34.7% in 6M2022. The overall improvement in gross profit margin of snacks was generally in line with the fluctuations of gross profit margin of our own-branded snacks, which accounted for approximately 88.2%, 87.1%, 87.1% and 96.4% of our gross profit of snacks for FY2019, FY2020, FY2021 and 6M2022, respectively.

The overall gross profit margin of our own-branded snacks generally increased during the Track Record Period primarily due to introduction of new products of higher gross profit margin. For fluctuation of the gross profit margin of our vegetable snacks, meat snacks and nuts, seeds and candied fruits, please refer to the paragraph headed “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin — (c) Gross profit and gross profit margin — by own-branded snacks”.

Our gross profit margin for dried delicacies and dried aquatic products generally decreased from FY2019 to FY2021 due to the increase in costs of certain raw materials resulting from increased transportation costs and tightened supply, and our gross profit margin gradually improved in 6M2022. While the gross profit margin of our grains remained stable for FY2019 and FY2020, it fluctuated in FY2021 and 6M2022 mainly due to cost fluctuation of green beans. Our gross profit margin of seasonings and others during the Track Record Period generally fluctuated according to the costs of our sugar products.

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For details, please refer to the paragraph headed “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin — (a) Gross profit and gross profit margin — by product lines” in this prospectus.

Since our inception in Jiangxi Province in 2002, we have expanded our geographic presence for our product offerings to 26 provinces or autonomous regions and three municipalities across the PRC as at 30 June 2022. The table below sets forth an analysis of our revenue by delivery destinations during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Jiangxi Province	191,407	64.4	166,996	59.0	184,791	54.0	78,897	54.2	85,575	51.3
Hubei Province	32,341	10.9	74,884	26.5	32,434	9.5	15,725	10.8	8,204	4.9
Zhejiang Province.	13,649	4.6	6,998	2.5	12,822	3.7	7,603	5.2	14,036	8.4
Sichuan Province (including Chongqing).	28	0.0	8,143	2.9	74,071	21.7	25,309	17.4	39,430	23.6
Hunan Province.	31,542	10.6	11,922	4.2	12,150	3.6	6,291	4.3	9,041	5.4
Fujian Province.	7,516	2.5	5,815	2.1	10,709	3.1	5,518	3.8	4,620	2.8
Shaanxi Province	5,128	1.7	3,629	1.3	4,324	1.3	1,922	1.3	1,375	0.8
Anhui Province	1,277	0.4	463	0.2	1,024	0.3	355	0.2	411	0.2
Shandong Province	—	—	130	0.0	1,119	0.3	400	0.3	663	0.4
Guangdong Province	1	0.0	86	0.0	1,699	0.5	444	0.3	1,094	0.7
Jiangsu Province	3,825	1.3	2,172	0.8	341	0.1	253	0.2	121	0.1
Other provinces, autonomous regions and municipalities (Note)	10,684	3.6	1,651	0.5	6,514	1.9	2,878	2.0	2,386	1.4
Total.	297,398	100.0	282,889	100.0	341,998	100.0	145,595	100.0	166,956	100.0

Note: Other provinces, autonomous regions and municipalities comprise Hebei Province, Inner Mongolia Autonomous Region, Shanxi Province, Liaoning Province, Henan Province, Ningxia Hui Autonomous Region, Gansu Province, Jilin Province, Qinghai Province, Heilongjiang Province, Guangxi Zhuang Autonomous Region, Guizhou Province, Xinjiang Uygur Autonomous Region, Yunnan Province, Hainan Province, Beijing and Shanghai.

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Fluctuation of our revenue by delivery destinations during the Track Record Period was mainly driven by the change of delivery destinations in accordance to instructions of our supermarket customers based on, to the best knowledge of our Directors, their procurement strategies, sales performance of particular outlets, supply chain and logistics arrangement in particular province and at particular point of time as well as their product promotion plans and sales events. For further details, please refer to the paragraph headed “Business — Sales Network — Geographical presence” in this prospectus.

The following table sets forth the breakdown of the sales volume in tonne and average selling price per kg of our products during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	Average		Average		Average		Average		Average	
	Sales volume	selling price per kg	Sales volume	selling price per kg	Sales volume	selling price per kg	Sales volume	selling price per kg	Sales volume	selling price per kg
	(tonne)	(RMB)	(tonne)	(RMB)	(tonne)	(RMB)	(tonne)	(RMB)	(tonne)	(RMB)
Snacks	2,308	55.6	3,369	40.8	4,046	42.3	1,796	41.1	1,948	39.8
Dried delicacies	1,281	67.8	1,127	62.5	1,098	79.6	469	79.7	603	83.8
Dried aquatic products	392	119.2	379	139.7	426	138.5	186	122.1	210	139.5
Grains	3,510	8.2	1,546	11.6	1,754	12.2	891	11.8	646	12.7
Seasonings and others	514	13.0	343	12.1	314	10.1	125	10.2	146	10.5
Total	<u>8,005</u>	N/A	<u>6,764</u>	N/A	<u>7,638</u>	N/A	<u>3,467</u>	N/A	<u>3,553</u>	N/A

OUR PRODUCTION FACILITIES

As at the Latest Practicable Date, we have two production facilities, namely Nanchang Plant and Guangchang Plant, in Jiangxi Province, the PRC. Nanchang Plant is specialised in the processing and packaging of dried food products and Guangchang Plant is equipped with cooking equipment which is dedicated for the production of snacks.

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The following table sets out the designed production capacity, actual production volume and utilisation rate of our production and packaging facilities for the years or period indicated:

Production facilities	Production Lines	Key Products	Revenue lines by products	FY2019		FY2020		FY2021		6M2021		6M2022			
				Designed production capacity ⁽¹⁾	Actual production volume	Utilisation rate ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilisation rate ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilisation rate ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilisation rate ⁽²⁾
Guangchang Plant	Vegetable snack production line	Fragrant lotus seeds ⁽³⁾ and vegetable snacks	Own-branded vegetable snacks and nuts (i.e. fragrant lotus seeds only)	1,555 ⁽³⁾	1,589 ⁽³⁾	102.3%	1,671 ⁽³⁾	1,629 ⁽³⁾	91.1 ⁽³⁾	894 ⁽³⁾	895 ⁽³⁾	100.1 ⁽³⁾	894 ⁽³⁾	659 ⁽³⁾	73.7 ⁽³⁾
	Meat snack production line	Meat snacks	Own-branded meat snacks	N/A ⁽⁴⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	1,711	90.9	707	753	106.5	1,050	816	77.7
	Subtotal			1,553	1,589	102.3	1,671	3,500	91.0	1,601	1,648	102.9	1,944	1,475	75.9
Nanchang Plant	Dried food product production line	Dried delicacies, dried aquatic products, grains, nuts (other than fragrant lotus seeds) and sugar products	Own-branded dried delicacies, dried aquatic products, grains, nuts (other than fragrant lotus seeds) and seasoning and other products	4,420	5,423	122.7	4,420	4,420	79.6	4,210	2,220	100.5	2,210	1,535	69.5

Notes:

- (1) Designed production capacity means the estimated maximum output of the relevant products that each facility can produce in the relevant year. It is calculated on the assumption that our production lines operate eight hours per day in two shifts and 260 days (52 weeks per year times five working days in a week) per year, taking into account the downtime for inspection, repairs and maintenance, and shutdown for commercial production due to public holiday in the PRC.
- (2) The utilisation rate is derived from dividing the actual production volume by the designed production capacity.
- (3) In FY2019 and FY2020, 1,345 tonnes and 548 tonnes of fragrant lotus seeds were included in the calculation of actual production volume and utilisation rate of our vegetable snack production line. Since FY2021, we ceased to produce fragrant lotus seeds in anticipation of increasing cost of lotus seeds and declining market demand based on the decreasing sales of such products in FY2020 as compared to FY2019.
- (4) Our production line for meat snacks only commenced operation in January 2021.
- (5) In 9M2022, the utilisation rate of our production lines in Guangchang Plant and Nanchang Plant was 86.5% and 68.7%, respectively. For our Guangchang Plant, our vegetable snack production line and meat snack production line recorded utilisation rate of 86.9% and 86.2%, respectively.

SUMMARY

SALES AND CUSTOMERS

We primarily sell our products to retailers such as supermarkets and grocery stores, corporate customers, e-commerce channel on Tmall.com, and other individual customers. We also sell our products such as snacks, dried aquatic products, nuts, cereals and mushrooms at concessionary counters in supermarkets, where our promoters will promote and interact face-to-face with end consumers to provide useful product information tailored to the interests and needs of individual consumers. The products sold at concessionary counters are generally not pre-packaged but sold according to weight.

The following table sets forth the breakdown of our revenue categorised by sales channels during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Retailers										
Supermarkets	208,097	70.0	196,040	69.3	230,751	67.5	92,531	63.6	96,903	58.0
Grocery stores	1,588	0.5	1,935	0.7	6,604	1.9	2,537	1.7	4,134	2.5
Subtotal.	<u>209,685</u>	<u>70.5</u>	<u>197,975</u>	<u>70.0</u>	<u>237,355</u>	<u>69.4</u>	<u>95,068</u>	<u>65.3</u>	<u>101,037</u>	<u>60.5</u>
Corporate customers	57,215	19.2	42,251	14.9	51,261	15.0	22,376	15.4	34,964	21.0
Concessionary counters	29,198	9.8	38,697	13.7	50,559	14.8	25,865	17.8	30,918	18.5
E-commerce	841	0.3	3,944	1.4	2,728	0.8	2,190	1.5	37	0.0
Others (<i>Note</i>)	459	0.2	22	0.0	95	0.0	96	0.0	—	N/A
Total	<u>297,398</u>	<u>100.0</u>	<u>282,889</u>	<u>100.0</u>	<u>341,998</u>	<u>100.0</u>	<u>145,595</u>	<u>100.0</u>	<u>166,956</u>	<u>100.0</u>

Note: Others mainly refer to direct sales to individual customers who, to the best knowledge of our Directors, purchase our products for their own consumption.

SUMMARY

The following table sets forth the breakdown of our gross profit and gross profit margin categorised by sales channels during the Track Record Period:

	FY2019		FY2020		FY2021		6M2021		6M2022	
	<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>	
	<i>RMB'000</i>	<i>margin %</i>	<i>RMB'000</i>	<i>margin %</i>	<i>RMB'000</i>	<i>margin %</i>	<i>RMB'000</i>	<i>margin %</i>	<i>RMB'000</i>	<i>margin %</i>
	<i>(unaudited)</i>									
Retailers										
Supermarkets	62,569	30.1	56,819	29.0	72,990	31.6	26,858	29.0	31,206	32.2
Grocery stores.	804	50.6	913	47.2	1,393	21.1	241	9.5	1,210	29.3
Subtotal	63,373	30.2	57,732	29.2	74,383	31.3	27,099	28.5	32,416	32.1
Corporate customers.	19,390	33.9	14,763	34.9	14,662	28.6	5,574	24.9	9,663	27.6
Concessionary counters	13,190	45.2	16,697	43.1	18,599	36.8	9,076	35.1	11,861	38.4
E-commerce	147	17.5	1,394	35.3	811	29.7	650	29.7	29	77.9
Others (<i>Note</i>)	151	32.9	2	9.1	25	26.3	26	27.4	—	N/A
Total	96,251	32.4	90,588	32.0	108,480	31.7	42,425	29.1	53,969	32.3

Note: Others mainly refer to direct sales to individual customers who, to the best knowledge of our Directors, purchase our products for their own consumption.

During the Track Record Period, the fluctuation of our gross profit margin for different sales channels in a particular financial year/period primarily depended on the mix of products sold in the particular sales channels. For discussion of our gross profit margin by product lines, please refer to our discussion in this section above and the paragraph headed “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin — (a) Gross profit and gross profit margin — by product lines” in this prospectus.

For our sales made to grocery stores and corporate customers, apart from the effect of change in the mix of products sold, our marketing strategy to offer competitive prices to such customers to promote our products, particularly new meat snack products, also contributed to the decrease of our gross profit margin for FY2021 as compared to FY2020. Our Directors consider that, by offering competitive prices to our grocery stores and corporate customers, we will be able to expand our product presence through grocery stores to areas outside Jiangxi Province as well as raise awareness of our products by leveraging our corporate customers’ networks.

SUMMARY

For details, please refer to the paragraph headed “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin — (d) Gross profit and gross profit margin — by sales channels” in this prospectus.

We have established a stable and long-term relationship with our customers. Our five largest customers during the Track Record Period have established business relationship with us for over five years. For FY2019, FY2020, FY2021 and 6M2022, sales to our five largest customers in each year/period for the Track Record Period amounted to approximately RMB208.0 million, RMB207.0 million, RMB230.4 million and RMB108.2 million, representing approximately 70.0%, 73.2%, 67.4% and 64.8% of our revenue, respectively. For the same periods, sales to our largest customer in each year/period for the Track Record Period amounted to approximately RMB108.1 million, RMB108.8 million, RMB128.3 million and RMB57.3 million, representing approximately 36.4%, 38.4%, 37.6% and 34.3% of our revenue, respectively. Please refer to the paragraph headed “Business — Customers” in this prospectus for details.

Seasonality

Our sales are subject to seasonality fluctuations. We generally experience higher sales for products such as dried delicacies and dried aquatic products during or ahead of holiday seasons, such as the Golden Week and the Chinese New Year. Historically, we generally experienced higher sales of our products in the fourth quarter of our financial year.

RAW MATERIALS AND SUPPLIERS

We generally source raw materials such as cuttlefish, lotus seeds, black fungi, pistachios, bamboo shoots, chicken feet and duck necks from farmers and agricultural cooperatives and corporate suppliers. We secure raw materials in advance to maintain the stability of our supplies and control our procurement cost. We maintain a selected list of suppliers for raw materials. We evaluate materials, quality of the products and timeliness of product delivery of our suppliers. We have also established strong relationships with our five largest suppliers which help to reduce our exposure to price and supply fluctuations.

SUMMARY

All of our major suppliers are located in the PRC. For FY2019, FY2020, FY2021 and 6M2022, the aggregate total purchases from our five largest suppliers in each year/period for the Track Record Period amounted to approximately RMB53.2 million, RMB74.6 million, RMB90.1 million and RMB50.9 million, representing approximately 28.9%, 34.8%, 39.9% and 52.0% of the total purchases, respectively. For the same periods, the total purchases made by us to our largest supplier amounted to approximately RMB12.7 million, RMB22.3 million, RMB29.9 million and RMB18.7 million, representing approximately 6.9%, 10.4%, 13.3% and 19.1% of the total purchases, respectively. Please refer to the paragraph headed “Business — Suppliers” in this prospectus for details.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- a track record of over 20 years in dried food production with established brand in the PRC;
- solid customer base and long-term relationship with our major customers;
- strong devotion and commitment to standardised production and stringent quality standards and control;
- diversified product portfolio supported by innovative product development capabilities;
- stable supply of raw materials and established relationship with suppliers; and
- stable and experienced management team with a proven track record.

OUR STRATEGIES

We intend to strengthen our market position and increase our market share by pursuing the following strategies:

- expansion of our production capacity and enriching our product offerings; and
- increase our sales through enhancement of marketing efforts and expansion of sales channels.

SUMMARY

SUMMARY OF KEY FINANCIAL INFORMATION AND RATIOS

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our consolidated financial statements, including the accompanying notes, set forth in the Accountants' Report in Appendix I to this prospectus, as well as the information set forth in the section headed "Financial Information" in this prospectus.

Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income

	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>6M2021</u>	<u>6M2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	297,398	282,889	341,998	145,595	166,956
Cost of sales	(201,147)	(192,301)	(233,518)	(103,170)	(112,987)
Gross profit.	96,251	90,588	108,480	42,425	53,969
Profit before income tax					
expense	48,262	47,313	57,844	19,263	22,722
Profit for the year/period	40,945	40,939	48,292	16,761	20,869

Our net profit (i.e. profit for the year/period) remained relatively stable for FY2019 and FY2020 and experienced an increase in FY2021 as well as a period-to-period increase for 6M2022. Such increase was mainly attributable to the increase in revenue and gross profit contributed by the introduction of our meat snack series. For further details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this prospectus.

During FY2019, FY2020, FY2021 and 6M2022, we received government grants and subsidies of approximately RMB4.1 million, RMB4.6 million, RMB3.7 million and RMB0.1 million, respectively. These government grants were non-recurring in nature. Please refer to Note 7 to the Accountants' Report as set out in Appendix I to this prospectus for further details.

SUMMARY

Selected Items of Consolidated Statements of Cash Flows

	FY2019	FY2020	FY2021	6M2021	6M2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Net cash generated from/ (used in) operating activities . .	10,588	86,559	27,072	(32,159)	48,725
Net cash used in investing activities	(2,629)	(3,105)	(7,187)	(5,042)	(2,059)
Net cash generated from/ (used in) financing activities . .	32,507	17,748	(34,902)	(28,706)	(35,792)
Net increase/(decrease) in cash and cash equivalents	40,466	101,202	(15,017)	(65,907)	10,874
Cash and cash equivalents at the beginning of the year/period . .	670	41,136	142,338	142,338	127,321
Cash and cash equivalents at the end of the year/period	41,136	142,338	127,321	76,431	138,195

We recorded net operating cash outflows for 6M2021 primarily because (i) we made more purchase of raw materials in 6M2021 than we did in 6M2022; and (ii) as compared to 6M2022, we settled more payments to our suppliers in 6M2021 whereas our purchases made in June 2022 accounted for the largest portion of purchases for 6M2022, but settlements were only required in the second half of 2022. For further details, please refer to the paragraph headed “Financial Information — Liquidity and Capital Resources — Cash flows” in this prospectus.

Selected Items of Consolidated Statements of Financial Position

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total current assets	216,713	309,780	313,404	318,731
Total current liabilities	128,210	169,730	150,100	135,662
Net current assets	88,503	140,050	163,304	183,069
Total non-current assets	48,220	46,619	51,958	52,122
Total non-current liabilities	27,614	23,537	3,626	2,627
Net assets	109,109	163,132	211,636	232,564

SUMMARY

Our net current assets increased from approximately RMB88.5 million as at 31 December 2019 to approximately RMB140.1 million as at 31 December 2020, which was primarily attributable to an increase in cash and cash equivalents of approximately RMB101.2 million as a result of working capital improvement due to the (i) decrease in trade receivables of approximately RMB21.9 million; (ii) decrease in prepayment, deposits and other receivables of approximately RMB22.1 million; and (iii) increase in trade payables of approximately RMB27.6 million. Our net current assets further increased to approximately RMB163.3 million as at 31 December 2021, primarily attributable to (i) a decrease in current borrowings of RMB11.6 million; and (ii) increase in inventories of approximately RMB8.2 million mainly caused by the stocking of raw materials and finished goods in advance to prepare for our future sales. Our net current assets further increased to approximately RMB183.1 million as at 30 June 2022, which was primarily attributable to a decrease in current borrowings of approximately RMB32.0 million.

Our net assets increased from approximately RMB109.1 million as at 31 December 2019 to approximately RMB163.1 million as at 31 December 2020, which was primarily attributable to total comprehensive income for the year of approximately RMB40.5 million and capital contribution from beneficial shareholders to a subsidiary of approximately RMB13.2 million. Our net assets increased to approximately RMB211.6 million as at 31 December 2021, which was primarily attributable to total comprehensive income for the year of approximately RMB48.5 million. Our net assets further increased to approximately RMB232.6 million as at 30 June 2022, which was primarily attributable to total comprehensive income for the period of approximately RMB20.9 million. For details, please refer to “Consolidated Statements of Changes in Equity” in the Accountants’ Report in Appendix I to this prospectus.

For further details on other items, please refer to the paragraph headed “Financial Information — Selected Items of Consolidated Statements of Financial Position” in this prospectus.

SUMMARY

Key Financial Ratios

The following table sets forth certain key financial ratios of our Company for the periods or as at the dates indicated:

	As at/For the year/period ended			
	31 December			30 June
	2019	2020	2021	2022
Current ratio	1.7 times	1.8 times	2.1 times	2.3 times
Quick ratio	1.2 times	1.2 times	1.4 times	1.6 times
Gearing ratio	97.9%	73.9%	42.9%	24.8%
Net debt-to-equity ratio	60.2%	N/A	N/A	N/A
Interest coverage ratio	7.4 times	7.1 times	10.4 times	13.5 times
Return on total assets	15.5%	11.5%	13.2%	N/A
Return on equity	37.5%	25.1%	22.8%	N/A
Net profit margin	13.8%	14.5%	14.1%	12.5%

For further details, please refer to the paragraph headed “Financial Information — Key Financial Ratios” in this prospectus.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Yang and his spouse, Ms. Lin, through Shengyao Investment and Trendy Peak, respectively, together with Nanchang Tongli LP through Prosperous Season, owned an aggregate of approximately 64.45% of the issued share capital of our Company. Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), Mr. Yang and his spouse, Ms. Lin, through Shengyao Investment and Trendy Peak, respectively, together with Nanchang Tongli LP through Prosperous Season, will own an aggregate of approximately 48.34% of the issued share capital of our Company. Therefore, Mr. Yang, Ms. Lin, Shengyao Investment, Trendy Peak, Prosperous Season and Nanchang Tongli LP constitute a group of Controlling Shareholders under the Listing Rules.

SUMMARY

PRE-IPO INVESTORS

Mr. Lei and Mr. Su invested in our Group as Pre-IPO Investors. Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), Mr. Lei (through Pluto Universal) and Mr. Su (through Vantage Link) will own 5.29% and 3.75% of the issued share capital of our Company. As Mr. Lei is the director of Jiangxi Zhengwei and thus a core connected person of the Company under Rule 8.24 of the Listing Rules, the Shares held by Mr. Lei (through Pluto Universal) will not be regarded as part of the public float for the purpose of Rule 8.08(1) of the Listing Rules. The Shares held by Mr. Su (through Vantage Link) will be counted as part of the public float for the purpose of Rule 8.08(1) of the Listing Rules. For further details of the identity and background of the Pre-IPO Investors and the principal terms of the Pre-IPO Investment, please refer to the paragraph headed “History, Reorganisation and Corporate Structure — Pre-IPO Investment” in this prospectus.

RISK FACTORS

Our operations and the Share Offer involve certain risks and uncertainties, many of which are beyond our control. These risks are set out in the section headed “Risk Factors” in this prospectus. Some of the major risks we face include: (i) any failure to maintain an effective quality control system or to adhere to our quality standards could have a material adverse effect on our business, financial condition and operating results, as well as our brand and reputation; (ii) we may face product liability claims related to our raw materials and our products, but we do not maintain any product liability insurance; (iii) we may not be able to maintain a stable supply of raw materials and the availability of our raw materials could be subject to weather conditions and global climate changes; (iv) we are susceptible to fluctuations in raw materials prices; (v) if our customers fail to receive their products as scheduled, our sales and reputation may be materially and adversely affected; and (vi) dried food and snack production in the PRC are highly competitive, and our efforts in developing, launching and promoting new products may not be successful. Please refer to the section headed “Risk Factors” in this prospectus for further details.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, incentive fees and professional fees paid and payable to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Share Offer. The estimated total listing expenses (assuming an Offer Price of HK\$0.75 per Offer Share, being the mid-point of the indicative Offer Price range, and assuming that the Over-allotment Option is not exercised) for the Share Offer are approximately RMB33.4 million (approximately HK\$39.3 million), representing approximately 26.2% of the gross proceeds from the Share Offer, comprising of (i) fees paid and

SUMMARY

payable to legal advisers and the Reporting Accountants of approximately RMB16.8 million (approximately HK\$19.8 million); and (ii) others fees and expenses, including sponsor fees, of approximately RMB16.6 million (approximately HK\$19.5 million). The estimated total listing expenses consist of underwriting-related expenses of approximately RMB5.1 million (approximately HK\$6.0 million), and non-underwriting-related expenses of approximately RMB28.3 million (approximately HK\$33.3 million). During the Track Record Period, we incurred listing expenses of approximately RMB13.3 million, which have been charged to our consolidated statements of profit and loss and other comprehensive income. We expect to incur additional listing expenses of approximately RMB9.3 million which are expected to be charged to our consolidated statements of profit and loss and other comprehensive income subsequent to the Track Record Period and approximately RMB10.8 million will be accounted for as a deduction from equity upon the completion of the Share Offer.

OFFERING STATISTICS

The Share Offer comprises the following: (i) the Public Offer of 20,000,000 Offer Shares; and (ii) the Placing of 180,000,000 Offer Shares, subject to, in each case, reallocation on the basis as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus. The following table sets out certain offering related data, assuming the Share Offer has been completed:

	Based on an Offer Price of HK\$0.68 per Offer Share	Based on an Offer Price of HK\$0.82 per Offer Share
Market capitalisation of the Shares expected to be in issue following the completion of the Capitalisation Issue and the Share Offer ^(Note 1)	HK\$544.0 million	HK\$656.0 million
Unaudited pro forma consolidated net tangible assets per Share ^(Note 2)	HK\$0.48	HK\$0.52

Notes:

1. The calculation of the market capitalisation is based on 800,000,000 Shares expected to be in issue following the completion of the Capitalisation Issue and the Share Offer.
2. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating this figure. The unaudited pro forma consolidated net tangible assets per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue assuming the Share Offer had been completed on 30 June 2022, taking into account the Share Subdivision but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

SUMMARY

USE OF PROCEEDS

We estimate the net proceeds from the Share Offer which we will receive, assuming an Offer Price of HK\$0.75 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$110.7 million (equivalent to approximately RMB94.4 million), after deduction of underwriting commissions and other expenses payable by us in relation to the Share Offer and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Share Offer for the following purposes:

- approximately 74.1%, or HK\$82.0 million (equivalent to RMB69.9 million), will be used to build a new factory building and acquire new production lines in our Guangchang Plant by around June 2024 (subject to the progress of construction work) to increase our designed annual production capacity by approximately 1,200 tonnes of vegetable snack products and 2,000 tonnes of meat snack products;
- approximately 15.9%, or approximately HK\$17.6 million (equivalent to approximately RMB15.0 million), will be used to enhance our marketing efforts and expand our sales channels; and
- approximately 10.0%, or approximately HK\$11.1 million (equivalent to approximately RMB9.5 million), will be used for working capital and other general corporate purposes.

Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

DIVIDEND

During the Track Record Period, no dividends have been paid by our Company. The declaration of future dividend will be subject to the recommendation of our Board and approval of our Shareholders in general meetings or, in the case of interim dividends, subject to the approval of our Board in accordance with the Articles. The amount of any dividends to be declared by our Company in any given year in the future will depend on, among others, our Group’s results of operations, available cashflows and financial conditions, operating and capital and regulations and any other factors that our Directors deem relevant. The payment of dividend may also be limited by legal restrictions and agreements that our Group may enter into in the future. Our Company does not currently have a fixed dividend policy nor any predetermined dividend payout ratio. No dividend was declared or paid by our Group to owners of our Company during the Track Record Period.

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LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

As at the Latest Practicable Date, there were no legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

The historical non-compliances involving us during the Track Record Period included, (i) all of our PRC subsidiaries, namely Jiangxi Zhengwei, Nanchang Kaixing and Guangchang Zhenglian did not make full contribution to the social insurance and housing provident funds for some of our employees as required under PRC laws and regulations; and (ii) our PRC subsidiaries namely, Jiangxi Zhengwei and Nanchang Kaixing, had not registered the lease for two warehouses with the local housing administration authorities as required under PRC laws. Our Directors believe that such non-compliances will not have any material operational or financial impact on us. As at the Latest Practicable Date, we had either taken rectification measures for the non-compliance or obtained indemnity for any possible penalty or other monetary damages which may be incurred as a result of the non-compliance. In addition, we have implemented internal control improvement measures to manage our business and operational risks, to ensure our smooth operation and to avoid future recurrence of historical non-compliance incidents. For further details, please refer to the paragraphs headed “Business — Litigation and Non-compliance” and “Business — Risk Management and Internal Control” in this prospectus.

Save as disclosed in the paragraph headed “Business — Litigation and Non-compliance”, we are advised by our PRC Legal Advisers that, during the Track Record Period and as at the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material respects.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR BUSINESS

In response to the COVID-19 outbreak, the PRC Government implemented strict measures to control the outbreak in the PRC, including schools and businesses closures, transport suspension and city lockdowns. The COVID-19 outbreak has affected our business operations in the following aspects:

- our Nanchang Plant suspended production for 13 days in February 2020 and three days in April 2022, and our Guangchang Plant suspended production for 15 days in February 2020;
- our revenue slightly decreased in FY2020, as COVID-19 negatively affected the trading sales to our customers. For details, please refer to the paragraph headed “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue” in this prospectus; and

SUMMARY

- we incurred additional administrative expenses to purchase personal protection equipment and put in place other precautionary measures to ensure the health and safety of our employees.

As the outbreak of COVID-19 became relatively contained and stabilised in the PRC in 2021, our revenue has rebounded in FY2021 and reached approximately RMB342.0 million. Please refer to the paragraph headed “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue” in this prospectus for further details of the financial impact caused by COVID-19 on our Group.

Our Directors believe that the resurgence of COVID-19 since 1 January 2022 and up to the Latest Practicable Date did not and is not expected to result in a material disruption to our business operations or have any material impact on our business operations and financial performance, considering that (i) the governmental authorities have put into significant resources and efforts to contain the regional COVID-19 outbreaks; (ii) our production plants were not ordered for prolonged suspension save as the temporary suspension for approximately two to three weeks as mentioned above up to the Latest Practicable Date; (iii) we have only experienced slight decrease in revenue in FY2020 in the peak of the outbreak and our sales performance and revenue had gradually improved with the introduction of our meat snack series in FY2021; (iv) although we experienced increase in costs of certain raw materials due to tightened supply or increased transportation costs in FY2020, the costs of those raw materials had either come down or slowed down in cost growth, and our overall gross profit margin was maintained at similar levels around 32% during the pandemic in FY2020; and (v) we have stable business relationship with our supermarket customers with supermarket stores in various provinces which we believe would enable our Group to flexibly adjust our sales and delivery of products across different provinces, if necessary, and therefore we would be able to maintain an overall stable sales to our supermarket customers.

For risks relating to the potential impact to our business due to COVID-19 outbreak, please refer to the paragraph headed “Risk Factors — Risks Relating to Our Business — The outbreak of COVID-19 adversely affected, and may continue to affect, the demand for our products, our business operations and financial conditions” in this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Financial Performance

Based on our unaudited management accounts, we recorded an increase in revenue for 10M2022 as compared to 10M2021, primarily due to (i) increase in sales of our snack products, particularly our meat snack series; and (ii) increase in sales of our dried delicacies to Customer

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Group A as it had chosen our dried delicacies as one of their promotional products before and during the holiday seasons of National Day and Mid-Autumn Festival. Our overall gross profit margin also increased for 10M2022, which was primarily attributable to (i) the decreased costs for raw materials such as enoki mushrooms and dried whitebait; and (ii) the increase in average selling prices of certain products, for example, dried cuttlefish. We expect our net profit for FY2022 will decrease primarily due to the listing expenses incurred or expected to be incurred. For details, please refer to the paragraph headed “Listing Expenses” in this section.

Our Business Operation

Subsequent to the Track Record Period and up to the date of this prospectus, we have continued to focus on manufacturing and trading of snacks and dried food products and there had not been any material change to our business model, product portfolio as well as revenue and cost structure. As at the date of this prospectus, five customers, out of which four are our top five customers in FY2021, had signed letters of intent with us confirming, generally, (i) their intention to increase their orders to us by 10% to 15% based on their purchase amount in FY2021; and (ii) their interests in ordering more vegetable and meat snack products, including new snack products to be launched, from us. Subsequent to the Track Record Period and up to the date of this prospectus, we continued to develop new customers or seek to make further sales to existing customers. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had made sales to 15 new corporate customers and six new grocery stores customers.

To expand our product portfolio, as at the date of this prospectus, we were continuing with our product development of new snack products such as mushrooms, beef jerky, pork trotters, quail eggs and quail meat snacks, and we had commenced trial production of our boneless chicken feet snack series. As at the date of this prospectus, we have been actively negotiating with the Management Committee of Nanchang Xiaolan Economic and Technological Development Zone (南昌小藍經濟技術開發區管委會), which had confirmed to us that they, as a support to our project and further development, intend to grant us a land parcel in Nanchang in favourable terms below the market price for production purpose. For details, please refer to the paragraph headed “Business — Business Strategies — Expansion of our production capacity and enriching our product offerings” in this prospectus.

No Material Adverse Change

Our Directors confirm that since 30 June 2022 (being the end of the period reported in the Accountants’ Report in Appendix I to this prospectus), and up to the date of this prospectus, there has been no material adverse change in our financial or trading position and prospects.