

Jiujiuwang Food International Limited 久久王食品国际有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1927

GLOBAL OFFERING



Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

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

Jiujiuwang Food International Limited

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GLOBAL OFFERING

Total number of Offer Shares under the Global Offering	:	198,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	:	19,800,000 Shares (subject to reallocation)
Number of International Placing Shares	:	178,200,000 Shares (subject to the Over-allotment Option and reallocation)
Offer Price	:	Not more than HK\$0.75 and expected to be not less than HK\$0.65 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US\$0.0001 per Share
Stock code	:	1927

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



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" in Appendix VII 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or about Friday, 5 March 2021 or such other date as may be agreed between the parties, but in any event, no later than Monday, 8 March 2021. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Monday, 8 March 2021, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK\$0.75 per Offer Share and is expected to be not less than HK\$0.65 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Public Offer Shares must pay, on application, the maximum offer price of HK\$0.75 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price is lower than HK\$0.75. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range 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, notices of such reduction will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.jiujiuwang.com as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in the section headed "Risk factors" in this prospectus. Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended from time to time (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, or to, or for the account or benefit of U.S. persons, except that the Offer Shares may be offered, sold or delivered (i) within the United States in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A under the U.S. Securities Act or another exemption from registration under the U.S. Securities Act; and (ii) in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

EXPECTED TIMETABLE⁽¹⁾

Our Company will publish an announcement on our website at www.jiujiuwang.com and the website of the Stock Exchange at www.hkexnews.hk if there is any change in the following expected timetable of the Hong Kong Public Offering.

Hong Kong Public Offering commences and WHITE and YELLOW Application Forms available from	Friday, 26 February 2021	
Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, 5 March 2021	
Application lists for the Hong Kong Public Offering open ⁽³⁾	11:45 a.m. on Friday, 5 March 2021	
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Friday, 5 March 2021	
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, 5 March 2021	
Latest time to complete payments of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 5 March 2021	
Application lists for the Hong Kong Public Offering close ⁽³⁾	12:00 noon on Friday, 5 March 2021	
Expected Price Determination Date ⁽⁵⁾	Friday, 5 March 2021	
Announcement of:		
(a) the final Offer Price;		
(b) the indications of the level of interest in the International Placing;		
(c) the level of applications in the Hong Kong Public Offering; and		
(d) the basis of allotment of the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) to be published on our website at www.jiujiuwang.com and the website of the Stock Exchange at www.hkexnews.hk on or before		Monday, 15 March 2021
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for Hong Kong Public Offer Shares — 11. Publication of results" in this prospectus from	Monday, 15 March 2021	

EXPECTED TIMETABLE⁽¹⁾

- Results of allocations in the Hong Kong Public Offering
will be available at www.iporesults.com.hk
(alternatively: English <https://www.eipo.com.hk/en/Allotment>;
Chinese <https://www.eipo.com.hk/zh-hk/Allotment>)
with a “search by ID/business registration number” function Monday, 15 March 2021
- Despatch/collection of share certificates in respect of
wholly or partially successful applications pursuant to
the Hong Kong Public Offering on or before⁽⁶⁾ Monday, 15 March 2021
- Share certificates in respect of wholly or partially successful
applications to be despatched or deposited into CCASS⁽⁶⁾ Monday, 15 March 2021
- Despatch/collection of **White Form** e-Refund payment
instructions/refund cheques in respect of wholly or partially
successful applications if the final Offer Price is less than
the price payable on application (if applicable) and wholly or
partially unsuccessful applications pursuant to the
Hong Kong Public Offering on or before^(7 & 8) Monday, 15 March 2021
- Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on
Tuesday, 16 March 2021

The application for the Hong Kong Public Offer Shares will commence from Friday, 26 February 2021 through to Friday, 5 March 2021. Such time period is longer than the normal market practice of 3.5 days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicant(s) without interest on Monday, 15 March 2021. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Tuesday, 16 March 2021.

Notes:

- (1) All times and dates refer to Hong Kong local time, except as otherwise stated. Details 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.
- (2) You will not be permitted to submit your application through the **White Form eIPO** service through the designated website at www.eipo.com.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 designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is 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 Friday, 5 March 2021, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for Hong Kong Public Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Public Offering by giving **electronic application instructions** to HKSCC should see the section headed “How to apply for Hong Kong Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (5) The Price Determination Date is expected to be on or around Friday, 5 March 2021 or such other date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may agree and in any event will not be later than Monday, 8 March 2021.
- (6) Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Monday, 15 March 2021 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible. Investors who trade the Hong Kong Public Offer Shares on the basis of publicly available allocation details before the receipt of their share certificates or before the share certificates become valid certificates of title do so entirely at their own risk.
- (7) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** for 1,000,000 or more Hong Kong Public Offer Shares and have provided all required information may collect refund cheques (if applicable) and share certificates (if applicable) in person from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 15 March 2021. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar must be produced at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares may collect their refund cheques (if applicable) in person but may not collect in person their share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Public Offer Shares — 14. Despatch/collection of share certificates and refund monies — Personal collection — (d) If you apply via electronic application instructions to HKSCC" in this prospectus.

If an applicant has applied for less than 1,000,000 Hong Kong Public Offer Shares, the share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the Application Forms.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for Hong Kong Public Offer Shares — 14. Despatch/collection of share certificates and refund monies" in this prospectus.

- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus.

Applicants who apply through the **White Form eIPO** service and paid their application monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Refund payment instructions.

Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **White Form eIPO** Services Provider, in the form of refund cheques, by ordinary post at their own risk.

- (9) None of our website nor any of the information contained thereon forms part of this prospectus.

For further details in relation to the Hong Kong Public Offering, please refer to the sections headed "How to apply for Hong Kong Public Offer Shares" and "Structure of the Global Offering" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation 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.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in the prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Global Offering.

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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. You should read the whole 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 the section headed “Risk factors” in this prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

We are a confectionary products manufacturer established in the PRC in 1999. We manufacture and sell confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies.

We generally source raw materials from our suppliers, manufacture and package our confectionary products at our in-house production facilities, and either (i) sell our products under brands owned or licenced by our OEM customers in the PRC and to overseas countries, or (ii) sell our products under our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王), to distributors or to end-consumers through e-commerce channel in the PRC. As at 31 August 2020, we had 129 third party distributors with sales network covering one municipal city, two autonomous regions and 21 provinces, forming an extensive nationwide sales network in the PRC and reaching hypermarkets, supermarkets, grocery stores and tuck shops. According to Frost & Sullivan, as measured by revenue, we ranked second in the overall sugar confectionary market in Fujian Province with regional market share of approximately 2.7% in 2019 and had approximately 0.7% market share in the PRC in 2019.

We manufacture our confectionary products at our in-house factory with a site area of approximately 117,589 sq.m. located in Jinjiang City, Fujian Province. As at the Latest Practicable Date, we had 32 production lines, with an annual production capacity of approximately 15,045.4 tonnes, for manufacturing our products. We believe that with our own production facilities, we can control our product quality, production costs and production schedule directly. We are committed to manufacturing high quality products. In 2016, we received from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) the accreditation of “Three Same (Same Production Line, Same Standard, Same Quality) Quality Certification for Food Import and Export Enterprise* (食品進出口企業“三同”(同線同標同質)資質認證)”, which recognised the quality of products we manufactured.

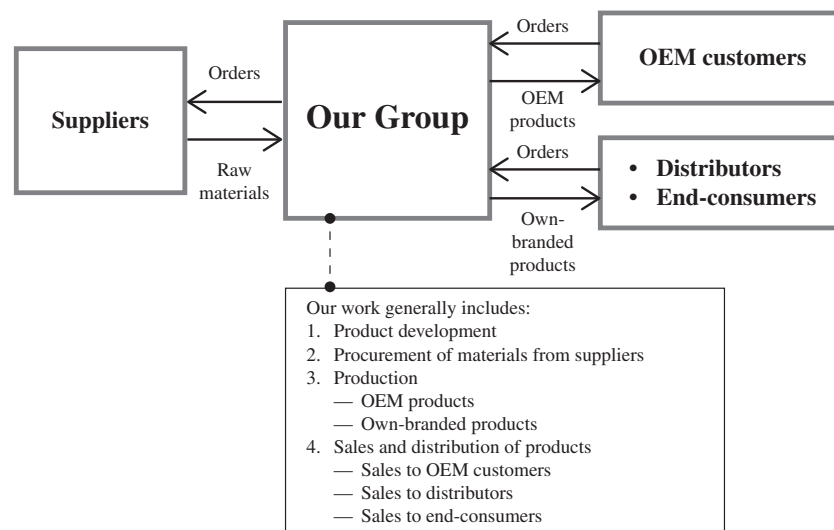
Over a journey of more than 20 years, we have accumulated solid experience in manufacturing high quality confectionary products, with diverse product portfolio, covering various categories of candies. With our strong product development capacities and commitment to enhancing product quality to cater for changing consumer preferences, we introduce new products and modify ingredients and packagings of our existing products from time to time to strive for better performance.

For the eight months ended 31 August 2020, as affected by the outbreak of COVID-19, there was a drop in our revenue and utilisation rate for our production capacities while our net profit remained relatively stable primarily as a result of the decrease in administrative expenses, which was mainly attributable to the decrease in the Listing expenses recognised and the impact of COVID-19 so that less operational administrative expenses were incurred for the period.

SUMMARY

Business model

Set out below is our simplified business model:



The following table sets forth a breakdown of our revenue and gross profit margin by sales of OEM products and own-branded products for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August					
	2017		2018		2019		2019		2020			
	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %
OEM products	191,243	53.8	215,557	56.6	202,689	48.9	119,625	46.1	99,520	41.8		
Own-branded products	164,550	46.2	165,258	43.4	211,393	51.1	140,064	53.9	138,334	58.2		
— Coolsa	135,390	38.0	130,603	34.3	170,274	41.2	111,806	43.0	110,937	46.6		
— Lalabo	25,974	7.3	28,055	7.4	34,084	8.2	22,811	8.8	22,778	9.6		
— Jiujiuwang	3,186	0.9	6,600	1.7	7,035	1.7	5,447	2.1	4,619	2.0		
Total	355,793	100.0	380,815	100.0	414,082	100.0	259,689	100.0	237,854	100.0		

Our total revenue for the year ended 31 December 2018 increased by approximately RMB25.0 million or 7.0% from approximately RMB355.8 million for the year ended 31 December 2017 to approximately RMB380.8 million which was mainly attributable to the increase of both sales of gum-based candies and tablet candies by approximately RMB9.4 million or 6.6% and RMB9.5 million or 7.2% as a result of the increased orders from one of our top five customers in our Track Record Period for gum-based candies and Gary & Bros Confectionary for tablet candies. Our total revenue for the year ended 31 December 2019 increased by approximately RMB33.3 million or 8.7% from approximately RMB380.8 million for the year ended 31 December 2018 to approximately RMB414.1 million which was mainly attributable to the increase of sales of tablet candies by approximately RMB29.3 million or 20.9% as a result of the increased orders from our distributors of our own-branded products. Our total revenue for the eight months ended 31 August 2020 decreased by approximately RMB21.8 million or 8.4% from approximately RMB259.7 million for the eight months ended 31 August 2019 to approximately RMB237.9 million which was mainly attributable to the decrease in customers' orders as affected by the outbreak of the COVID-19. Please refer to the section headed "Business — Our products" in this prospectus for the breakdown of our revenue by product category.

SUMMARY

Our own-branded products are generally sold to our customers in the PRC while our OEM products are sold to customers in the PRC and overseas countries. The following table sets forth a breakdown of our revenue from the sale of our OEM products by shipment location of orders for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
PRC ⁽¹⁾	135,904	71.1	153,524	71.2	153,946	76.0	89,313	74.7	79,787	80.2
Overseas	55,339	28.9	62,033	28.8	48,743	24.0	30,312	25.3	19,733	19.8
Europe ⁽²⁾	30,985	16.2	42,160	19.6	28,626	14.1	19,564	16.3	11,342	11.4
Asia (excluding the PRC) ⁽³⁾	14,941	7.8	10,851	5.0	15,623	7.7	8,153	6.8	6,960	7.0
Africa ⁽⁴⁾	1,102	0.6	—	—	—	—	—	—	—	—
Others ⁽⁵⁾	8,311	4.3	9,022	4.2	4,494	2.2	2,595	2.2	1,431	1.4
Total	191,243	100.0	215,557	100.0	202,689	100.0	119,625	100.0	99,520	100.0

Notes:

- (1) Included our sales to Gary & Bros Confectionary and to PRC exporters exporting to Ecuador, Ghana, Nigeria, Panama, Costa Rica and the United Kingdom.
- (2) Included our sales to Germany, Poland, the United Kingdom, Ukraine, Lithuania, Czech Republic, Denmark, Ireland, Netherlands, Spain, Italy, Russia, France and Belgium.
- (3) Included our sales to the Philippines, United Arab Emirates, Palestine, Jordan, Korea, Kuwait, Indonesia, Mongolia and Vietnam.
- (4) Included our sales to Cote d'Ivoire, Guinea and Togo.
- (5) Included our sales to Australia, Argentina, Brazil, Canada, Ecuador, Haiti, Honduras, Mexico, the United States and Paraguay.

The table below sets forth a breakdown of our revenue by types of customers for the years/periods indicated:

	Year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
OEM customers ⁽¹⁾	191,243	53.8	215,557	56.6	202,689	48.9	119,625	46.1	99,520	41.8
Distributors ⁽²⁾	163,415	45.9	159,752	42.0	199,916	48.3	132,645	51.0	133,515	56.2
End-consumers ⁽³⁾	1,135	0.3	5,506	1.4	11,477	2.8	7,419	2.9	4,819	2.0
Total	355,793	100.0	380,815	100.0	414,082	100.0	259,689	100.0	237,854	100.0

Notes:

- (1) Refers to the sales of our OEM products.
- (2) Refers to the sales of our own-branded products.
- (3) Refers to the online sales of our own-branded products through e-commerce channel.

SUMMARY

For the eight months ended 31 August 2020, there was a significant decrease in our revenue generated from the sales to OEM customers as affected by the decrease in orders to overseas countries during the COVID-19 outbreak.

The following table sets out the sales volume in tonne and average selling price per kg of our products during the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	<i>Average selling price per kg volume (tonne)</i>	<i>Average selling price per kg volume (tonne)</i>	<i>Average selling price per kg volume (tonne)</i>	<i>Average selling price per kg volume (tonne)</i>	<i>Average selling price per kg volume (tonne)</i>	<i>Average selling price per kg volume (tonne)</i>	<i>Average selling price per kg volume (tonne)</i>	<i>Average selling price per kg volume (tonne)</i>	<i>Average selling price per kg volume (tonne)</i>	<i>Average selling price per kg volume (tonne)</i>
OEM products	5,264	36.3	5,693	37.9	5,346	37.9	3,116	38.4	2,935	33.9
Own-branded products										
— Coolsa	4,667	29.0	4,567	28.6	5,802	29.3	3,735	29.9	3,623	30.6
— Lalabo	1,144	22.7	1,233	22.8	1,237	27.5	880	25.9	756	30.1
— Jiujiuwang	144	22.2	207	31.8	231	30.5	167	32.6	112	41.2
Subtotal	5,955	27.6	6,007	27.5	7,270	29.1	4,782	29.3	4,491	30.8
Total	11,219	31.7	11,700	32.6	12,616	32.8	7,898	32.9	7,426	31.8

The average selling price of our OEM products remained relatively stable for the years ended 31 December 2017, 2018 and 2019. For the eight months ended 31 August 2020, the drop of average selling price was mainly due to the decrease in the sales of our tablet candies, which were of higher average selling price, to our major customers as affected by the outbreak of the COVID-19. The average selling price of our own-branded products remained relatively stable during the Track Record Period. For the eight months ended 31 August 2020, the average selling price of products under our own-branded products increased because the sales of gum-based candies, which were of lower average selling price, dropped.

Pricing policy

Our products are not subject to any price control by the PRC government. The prices of our products are generally determined on a cost-plus basis. All the price quotes and sales orders are subject to approval by our finance department to ensure that our products remain competitive and generate profit. Relating to the sale of our own-branded products, we generally provide suggested unit sales prices of products to our distributors. The suggested unit sales prices of our own-branded products, are determined after having considered, among others, the pricing plan of our products by referencing to selling prices of products of our competitors, the brand and product positioning, the production costs and the target profit margin.

Seasonality

Our sales of confectionary products are subject to seasonality. Our sales generally experience a surge ahead of holiday seasons and, historically, we experienced higher sales of our products in the fourth and the first quarters of our financial year.

SUMMARY

Our production facilities

We own and operate our own production facilities. We believe this would allow us to launch new products that are customised to the taste of end-consumers and maximise our control over product quality and food safety. As at 31 August 2020, we had in total 32 production lines for manufacture of our confectionary products. The table below sets forth our production capacity, production volume and utilisation rate for the products we manufactured for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August					
	2017		2018			2019			2020			
	Production capacity (tonne)	Production volume (tonne)	Utilisation rate (%)	Production capacity (tonne)	Production volume (tonne)	Utilisation rate (%)	Production capacity (tonne)	Production volume (tonne)	Utilisation rate (%)	Production capacity (tonne)	Production volume (tonne)	Utilisation rate (%)
Confectionary products ⁽¹⁾	11,450.6	11,551.9	100.9	12,247.0	11,391.3	93.0	13,347.0	12,102.3	90.7	9,924.6	7,278.0	73.3
Other products ⁽²⁾	158.4	29.8	18.8	158.4	32.9	20.8	158.4	13.2	8.3	105.6	7.5	7.1
Total	11,609.0	11,581.7	99.8	12,405.4	11,424.2	92.1	13,505.4	12,115.5	89.7	10,030.2	7,285.5	72.6

Notes:

- (1) Refers to gum-based candies, tablet candies, aerated candies, jelly candies and hard candies.
- (2) Refers to non-candy products such as chocolate-coated rice cracker bars.

Due to the outbreak of the COVID-19, the local authority in Fujian Province required enterprises to delay the resumption of work from the Chinese Lunar New Year in 2020 to not earlier than the midnight of 9 February 2020. Our Group resumed normal production level in early March 2020. Therefore, there was a decrease in our utilisation rate for the eight months ended 31 August 2020. Please refer to the section headed “Business — Production — Our production facilities” in this prospectus for further details.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors: (i) we have strong product development capabilities; (ii) we have stable business relationships with our major OEM customers and distributors under our extensive sales network; (iii) we have strong devotion and commitment to stringent quality standards and control; (iv) we have stable supply of raw materials by carefully selected suppliers; (v) our production base is scaled and well-equipped for automated manufacturing of confectionary products; and (vi) we have a dedicated management team with extensive market knowledge and experience in the confectionary industry in the PRC.

BUSINESS STRATEGIES

We strive to achieve sustainable growth and further enhance our position as a manufacturer of confectionary products in the PRC. We plan to leverage our competitive strengths and implement the following strategies: (i) expansion of production capacities; (ii) replacement of machines in our existing production lines; (iii) enhancement of marketing effort, increasing our sales through e-commerce channel and expansion of our distribution network; and (iv) expansion and enhancement of our product offerings through continuous product development efforts.

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CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers were primarily OEM customers, which purchased our products manufactured under their brands, and distributors, which purchased our own-branded products. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we sold our OEM products to 33, 33, 37 and 22 customers, respectively. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we sold our own-branded products to 196, 125, 146 and 145 distributors, respectively. We have a seller/buyer relationship with our distributors, which would on-sell our products to their customers. Our revenue generated from the sales to distributors is recognised when the ownership of the products, as well as all risks and rewards associated therewith are transferred to our customers upon delivery and acceptance. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, revenue from our five largest customers in aggregate accounted for approximately 46.7%, 48.8%, 46.0% and 42.6% of our total revenue, respectively, while revenue from our largest customer, Gary & Bros Confectionary, accounted for approximately 22.2%, 25.1%, 23.8% and 20.0% of our total revenue, respectively. Gary & Bros Confectionary, was owned as to 15% by Mr. Zheng Guosi, our executive Director, until 5 December 2018. Our Directors, after due inquiry, confirmed that our Group, its shareholders, directors and management or any of their respective associates did not finance any expansion of Gary & Bros Confectionary directly or indirectly and that Mr. Zheng Zhenzhong, his family members and their investee entities did not provide any guarantees or security in respect of any financing arrangement which has funded or is funding the establishment and/or operation of Gary & Bros Confectionary up till the Latest Practicable Date, save for the past investment of Mr. Zheng Guosi in the 15% equity interest in Gary & Bros Confectionary. Save as disclosed above, all of our five largest customers during the Track Record Period were Independent Third Parties and we have business relationship of approximately 6 years to approximately 17 years with them.

During the Track Record Period, our suppliers were primarily suppliers of raw materials and packaging materials and we generally procured raw materials (such as white sugar, glucose, Xylitol, Sorbitol, colourings and flavouring essence) and packaging materials (such as plastic, carton and tin cans) from them in the PRC. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, purchase from our five largest suppliers in aggregate accounted for approximately 40.5%, 42.3%, 49.3% and 40.4% of our total purchase, respectively, while purchase from our largest supplier accounted for approximately 13.8%, 12.4%, 12.7% and 10.5% of our total purchase, respectively. All of our five largest suppliers during the Track Record Period were Independent Third Parties and we have business relationship of approximately 4 years to approximately 19 years with them.

Please refer to the sections headed “Business — Customers” and “Business — Suppliers” in this prospectus for further details.

COMPETITIVE LANDSCAPE

The sugar confectionary manufacturing market in the PRC is highly fragmented with more than 1,000 market participants of which a large number are small-scale manufacturers. Competition among manufacturers in the sugar confectionary market in the PRC is primarily based on brand recognition, quality and differentiation of products and distribution channel. According to the Frost & Sullivan Report, as measured by revenue, we ranked second in the overall sugar confectionary market in Fujian Province with regional market share of approximately 2.7% in 2019 and had approximately 0.7% market share in the PRC in 2019. We believe that our product research and development capabilities, our extensive and well established nationwide sales network and our experienced management distinguish us from our competitors.

Please refer to the sections headed “Business — Our competitive strengths” and “Industry overview” in this prospectus for further details.

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OUR CONTROLLING SHAREHOLDERS AND THE PRE-IPO INVESTOR

It is expected that our ultimate Controlling Shareholders, namely Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian, will be beneficially interested in approximately 72.75% of our issued share capital in aggregate while the Pre-IPO Investor will hold approximately 2.25% of our issued share capital in aggregate immediately following the completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised. Mr. Zheng Zhenzhong is the father of Mr. Zheng Guosi and Mr. Zheng Guodian, and Mr. Zheng Guosi is the elder brother of Mr. Zheng Guodian. By virtue of the Concert Parties Confirmatory Deed, each of Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian is deemed to be a Controlling Shareholder. Please refer to the sections headed “Relationship with Controlling Shareholders” and “History, development and Reorganisation — Pre-IPO Investment” in this prospectus for further details.

KEY FINANCIAL INFORMATION

Our key financial data set forth below has been derived from the accountants’ report in Appendix I to this prospectus, and should be read in conjunction with our financial information included in such appendix including the accompanying notes and the information set forth in the section headed “Financial information” in this prospectus.

Key consolidated statements of profit or loss information

	For the year ended 31 December			For the eight months ended 31 August	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Revenue	355,793	380,815	414,082	259,689	237,854
Cost of sales	(247,292)	(266,089)	(283,678)	(175,749)	(162,943)
Gross profit	108,501	114,726	130,404	83,940	74,911
Profit before taxation	62,219	53,422	59,201	35,627	34,865
Profit for the year/period	46,415	38,686	43,196	25,548	25,818

We experienced steady growth in our revenue and gross profit for the years ended 31 December 2017, 2018 and 2019 due to the increase in our sales of tablet candies and aerated candies. For the year ended 31 December 2017, our net profit amounted to approximately RMB46.4 million. We recorded a decrease in net profit by approximately RMB7.7 million for the year ended 31 December 2018, mainly attributable to the decrease in the non-recurring government grants in various form of subsidies to our Group by approximately RMB10.9 million and the increase in the Listing expenses by approximately RMB4.0 million. We recorded a growth in net profit for the year ended 31 December 2019 due to the growth in our revenue and gross profit primarily attributable to the increase in our sales of tablet candies. For the eight months ended 31 August 2020, there was a drop in our revenue and gross profit as affected by the outbreak of the COVID-19 which resulted in the decrease in revenue generated from both OEM and own-branded products by approximately 16.8% and 1.2%, respectively, while our net profit remained relatively stable primarily as a result of the decrease in administrative expenses, which was mainly attributable to the decrease in the Listing expenses recognised and the impact of COVID-19 so that less operational administrative expenses were incurred for the period. Our revenue generated from the sale of own-branded products, which were from our PRC distributors and end-consumers, gradually recovered when we resumed normal operation in early March 2020 as the condition of the COVID-19 has been improved in the PRC. Our revenue generated from OEM products, which consist of

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local and overseas OEM customers, recorded a decrease to a larger extent for the eight months ended 31 August 2020 as the confirmed cases of the COVID-19 in the overseas countries were relatively high. Our net profit was relatively stable for the eight months ended 31 August 2020.

Non-HKFRS measure

We recognised non-recurring items during the Track Record Period and therefore we also present the adjusted profit for the year, which is a non-HKFRS measure, to supplement our consolidated financial information which are presented in accordance with HKFRS. Adjusted profit for the year is derived by excluding the Listing expenses. Please refer to the section headed “Financial information — Summary of results of operations” in this prospectus for further details. We present such additional financial measure because it was used by our management to evaluate our financial performance by excluding the impact of Listing expenses, which is with non-recurring nature and was considered not indicative for evaluation of the actual performance of our business. Our Directors believe that such non-HKFRS measure provides additional information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies. The following table sets forth our adjusted profit for the years/periods indicated:

	For the year ended 31 December			For the eight months ended 31 August	
	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2019 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i>
Profit for the year/period	46,415	38,686	43,196	25,548	25,818
Adjustment for:					
Add: Listing expenses	—	3,960	7,445	6,815	1,124
Adjusted profit for the year/period	<u>46,415</u>	<u>42,646</u>	<u>50,641</u>	<u>32,363</u>	<u>26,942</u>

Key consolidated statements of financial position information

	As at 31 December			As at
	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	31 August 2020 <i>RMB'000</i>
Non-current assets	178,085	237,516	264,501	259,147
Property, plant and equipment	168,203	213,336	240,259	235,431
Current assets	317,157	209,857	226,502	230,491
Inventories	77,867	74,745	73,791	80,718
Trade receivables	78,938	89,515	105,616	94,380
Current liabilities	279,712	274,820	274,935	247,479
Bank borrowings	189,000	226,950	225,000	220,920
Net current assets/(liabilities)	37,445	(64,963)	(48,433)	(16,988)
Net assets	215,530	172,553	216,068	242,159

Our Group recorded a net current liabilities position of approximately RMB65.0 million as at 31 December 2018 mainly due to (i) a deemed distribution of RMB85 million to our Controlling Shareholders, which decreased our share capital and amount due from a director as at 31 December

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2018; and (ii) our capital expenditure for purchase of machinery of approximately RMB24.3 million and construction of new production facilities of approximately RMB32.8 million which were classified as non-current asset as at 31 December 2018.

Our Group recorded an improvement of net current liabilities to approximately RMB48.4 million as at 31 December 2019 which was mainly attributable to the increase in trade receivables of approximately RMB16.1 million as in line with our total revenue growth.

Our Group recorded a further improvement in net current liabilities to approximately RMB17.0 million as at 31 August 2020 which was mainly attributable to the combined effect of (i) the increase of prepayments and other receivables of approximately RMB23.7 million mainly funded by the total comprehensive income of approximately RMB26.1 million during the period ended 31 August 2020; and (ii) our capital expenditure for property, plant and equipment of approximately RMB6.2 million.

Notwithstanding the above, having considered (i) the unutilised banking facilities amounted to approximately RMB72.9 million as at 31 December 2020, (ii) our cash and cash equivalents of approximately RMB28.5 million as at 31 December 2020, (iii) the operating profit before working capital changes of RMB55.0 million for the eight months ended 31 August 2020 and (iv) our Group had not experienced difficulty in renewing the bank borrowings and the principal banks of our Group advised that there is no obstacle to renew the current banking facilities at current terms according to the interviews conducted with them, and taking into account of the financial resources presently available to our Group, including our Group's existing cash and cash equivalents, the available banking facilities and the estimated net proceeds from the Global Offering, our Directors, after due inquiry, confirm that our Group will have sufficient available working capital for at least the next 12 months from the date of this prospectus.

To improve our working capital and net current liabilities position, we will continue to review regularly and update our liquidity and funding policies to ensure that it is aligned with our business plan and financial position. We will also prepare cash flow and funding summaries on a regular basis to monitor our cash flow relating to our receipt of payments from customers, operating costs, financing, repayments of loans, purchase of property, plant and equipment, tax payables and other expenses. Our Directors and senior management hold regular meetings to review the working capital and liquidity management. In order to enhance our working capital management, we will manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. We would carefully consider our cash position and ability to obtain further financing when arranging payment for major business plans and transactions. Moreover, we will assess available resources to finance our business needs on an ongoing basis. Further, we would continue to maintain stable relationship with our principal banks so as to timely obtain/renew bank borrowings and on acceptable terms to our Group. We have obtained a financing proposal from a bank which indicated that such bank is willing to provide mid to long-term bank loans of RMB50 million for a term of three to five years at market interest rate to our Group subsequent to the Listing, subject to applicable terms and conditions. In the future, we would consider to reduce our short-term loans which primarily resulted in our net current liabilities position during the Track Record Period, and negotiate with banks to obtain long-term bank loans with favourable terms. Our Directors believe that by replacing our short-term borrowings with long-term borrowings, our net current liabilities position would be enhanced. For further details, please refer to the section headed "Financial information — Liquidity and capital resources — Working capital" in this prospectus.

Our Group recorded a decrease of net assets position from approximately RMB215.5 million as at 31 December 2017 to approximately RMB172.6 million as at 31 December 2018 which was mainly attributable to the deemed distribution of RMB85.0 million to our Controlling Shareholders, which decrease our share capital and amount due to a director, during the year ended 31 December 2018.

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Our Group recorded an increase of net asset position from approximately RMB172.6 million as at 31 December 2018 to approximately RMB216.1 million as at 31 December 2019 which was mainly attributable to the total comprehensive income for the year ended 31 December 2019 of RMB43.5 million.

Our Group recorded an increase of net asset position from approximately RMB216.1 million as at 31 December 2019 to approximately RMB242.2 million as at 31 August 2020 which was mainly attributable to the total comprehensive income for the eight months ended 31 August 2020 of RMB26.1 million.

Please refer to the sections headed “Financial information — Liquidity and capital resources — Net current assets and liabilities” and “Financial information — Liquidity and capital resources — Working capital” in this prospectus for more details.

Summary of consolidated cash flows information

The following table sets forth a summary of our cash flows for the years/periods indicated.

	For the year ended 31 December			For the eight months ended
	2017	2018	2019	31 August 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating profit before working capital change	86,627	79,533	91,867	54,977
Change in working capital	<u>(56,720)</u>	<u>14,798</u>	<u>(27,092)</u>	<u>(37,241)</u>
Net cash generated from operations	29,907	94,331	64,775	17,736
Income tax paid	<u>(14,995)</u>	<u>(15,282)</u>	<u>(16,980)</u>	<u>(9,592)</u>
Net cash generated from operating activities	14,912	79,049	47,795	8,144
Net cash used in investing activities	(8,553)	(71,929)	(44,292)	(6,194)
Net cash generated from/(used in) financing activities	<u>3,503</u>	<u>2,874</u>	<u>(9,531)</u>	<u>(17,632)</u>
Net increase/(decrease) in cash and cash equivalents	9,862	9,994	(6,028)	(15,682)
Cash and cash equivalents at the beginning of the year	23,756	33,604	43,393	37,684
Effect of exchange rate changes	<u>(14)</u>	<u>(205)</u>	<u>319</u>	<u>273</u>
Cash and cash equivalents at the end of the year/period	<u><u>33,604</u></u>	<u><u>43,393</u></u>	<u><u>37,684</u></u>	<u><u>22,275</u></u>

For the year ended 31 December 2019, we recorded net cash outflows, primarily due to our net cash used in investing activities of approximately RMB44.3 million, primarily as a result of the purchase of property, plant and machinery of approximately RMB44.4 million. For the eight months ended 31 August 2020, we recorded net cash outflow, primarily due to our net cash used in financing activities of approximately RMB17.6 million, primarily as a result of (i) the advance from director of approximately

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RMB0.7 million; (ii) proceeds from bank borrowings of approximately RMB146.6 million; (iii) the repayment of bank borrowings of approximately RMB150.7 million; and (iv) the payment of interest of approximately RMB9.3 million.

To improve our cash flow position, we intend to adopt or have adopted various internal control measures, including, among others, reviewing and updating our liquidity and funding policies regularly and enhancing our working capital management to manage the level of our liquid assets. Please refer to section headed “Financial information — Working capital” in this prospectus for more details.

We recorded a decrease in operating profit before working capital change for the year ended 31 December 2018 as we have a lower profit before taxation for the year ended 31 December 2018 due to the one-off government grant in 2017. We recorded a positive change in working capital for the year ended 31 December 2018 as there was a decrease in our prepayments to suppliers as compared to that of 31 December 2017. Such decrease was primarily due to our use of bills arrangement offered by our principal banks to procure more white sugar in advance as our Directors considered that we could benefit from the extended credit period under the bills arrangement and to reserve more white sugar as part of our inventories management in view of the general increase in price of sugar as stated in the Frost & Sullivan Report. Our interest and tax paid steadily increased during the years ended 31 December 2017 to 2019.

Key financial ratios

	For the year ended			For the eight months	
	2017	31 December	2019	ended 31 August	2020
		2018		2019	2020
				(unaudited)	
Profitability					
Gross profit margin	30.5%	30.1%	31.5%	32.3%	31.5%
Net profit margin	13.0%	10.2%	10.4%	9.7%	10.9%
Return on equity	21.5%	22.4%	20.0%	N/A	N/A
Return on total assets	9.4%	8.6%	8.8%	N/A	N/A
			As at 31 December		As at
			2017	2018	31 August
				2019	2020
Liquidity					
Current ratio		1.1 times	0.8 times	0.8 times	0.9 times
Quick ratio		0.9 times	0.5 times	0.6 times	0.6 times
Capital adequacy					
Gearing ratio ^(Note)		1.1 times	1.3 times	1.1 times	0.9 times
Net debt to equity ratio		0.9 times	1.1 times	0.9 times	0.8 times
Interest coverage		6.3 times	4.9 times	5.1 times	4.8 times

Note: Gearing ratio is calculated based on the sum of our bank borrowings and bills payable divided by total equity as at the end of the year/period.

The gross profit margin increased from approximately 30.1% for the year ended 31 December 2018 to approximately 31.5% for the year ended 31 December 2019 because of the increase in sales of products under Coolsa brand which generally have a higher gross profit margin. For the eight months ended 31 August 2020, the gross profit margin decreased from approximately 32.3% for the eight months ended 31 August 2019 to approximately 31.5% mainly due to the decrease in sale volume during the outbreak of the COVID-19 while we still incurred certain fixed components of cost of sales such as depreciation expenses of machinery and direct labour cost. The higher net profit margin for the year

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ended 31 December 2017 was mainly because of the receipt of the one-off government grant for the land expropriation of approximately RMB13.6 million. The net profit margin remained relatively stable at approximately 10.9% for the eight months ended 31 August 2020 as compared to those for the years ended 31 December 2018 and 2019. Our gearing ratio increased from approximately 1.1 times as at 31 December 2017 to approximately 1.3 times as at 31 December 2018 mainly attributable to the decrease in the total equity of approximately RMB43.0 million after the effect of Reorganisation.

Please refer to the section headed “Financial information — Summary of key financial ratios” in this prospectus for further details.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGES

Our business operation remained stable after the Track Record Period and up to the date of this prospectus. There was no material change to our general business model and the economic environment remained generally stable up to the date of this prospectus, save as disclosed herein.

Outbreak of the COVID-19

Since the outbreak of the epidemic caused by the COVID-19, major cities in the PRC have taken emergency public health measures including travel restrictions to control the COVID-19 epidemic. Local authority in Fujian Province required enterprises to delay the resumption of work from the Chinese Lunar New Year in 2020 to not earlier than the mid-night of 9 February 2020. Our Group has resumed normal production level in early March 2020. Our Group has implemented various measures in response to the COVID-19 epidemic. For details, please refer to the section headed “Business — Occupational safety and health” in this prospectus. In light of the COVID-19 epidemic and the travel and traffic restrictions, the sales of our products to OEM customers decreased for the eight months ended 31 August 2020, particularly, for the first half of 2020, which would have an adverse impact on our operation and financial performance.

Our Directors confirm that as at the date of this prospectus, there had been no material impact on the supply of products and/or raw materials to our Group, due to the outbreak of COVID-19.

In view of the outbreak of the COVID-19, our Directors have considered the following business contingency plans which will be implemented in case we encounter substantial cancellations of sales orders or supply chain disruption:

- maintain minimal necessary employees to support our operations by placing our non-essential staff on unpaid leave; and
- maintain more than one supplier for our major products and/or raw materials.

Assuming the worst case scenario of the outbreak of the COVID-19, in which we:

- cease all operations from December 2020 onward, which assumes that from December 2020 onward, we will not earn or incur (a) any revenue and costs in relation to sales activities, (b) the majority of expenses in relation to marketing activities, (c) the majority of expenses in relation to the production of products, and (d) expenses in relation to research and development activities;
- keep all of our necessary staff and make all their salary payments;
- settle all of our outstanding trade payables as of 31 December 2020;

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- estimate the settlement of trade receivables on a prudent basis by taking into account our historical settlement patterns;
- use approximately 7.1% of the net proceeds from the Global Offering as our working capital;
- settle expenses on plans of expansion of production and advertising to be funded by our internal resources as detailed in the section headed “Future plans and use of proceeds”;
- sell all of our inventories as of 31 December 2020; and
- use our cash and bank balances and unutilised bank facilities when needed, which was in aggregate amounted to approximately RMB101.4 million as of 31 December 2020;

given that our burn rate which represents all fixed and necessary costs for our Group to survive under minimal operation is approximately RMB1.9 million per month, our Directors are of the view that we would have sufficient cashflow for our business to remain financially viable for the next 12 months from February 2021, which includes, but is not limited to the timely payment as the following:

- essential employees’ salary payments;
- trade payables;
- expenses on expansion of production and advertising; and
- repayment of bank borrowings.

In addition to the abovementioned contingency plans, worst case scenario analysis and work place preventive measures, our Directors have critically assessed the impact of the outbreak of the COVID-19 on the business of our Group from the following perspectives, being (i) geographical operations; (ii) customers; and (iii) suppliers:

Geographical operations

During the Track Record Period, our Group only operated one manufacturing plant in the PRC and approximately 84.4%, 83.7%, 88.2% and 91.7% of our total revenue, respectively, were contributed by local customers in the PRC for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively. Therefore, our Group’s operation is largely dependent on the PRC. As at the Latest Practicable Date and based on publicly available information, gradual resumption of business over the country is allowed by the PRC government. Our Directors are of the view that the possibility of sharp escalation in the number of confirmed cases in the PRC is very low, and that unless such sharp escalation occurred, our Group’s operations will not be materially affected. As at the Latest Practicable Date, none of our employees reported symptoms of being infected with the COVID-19.

Customers

Since over 80% of our revenue is consistently contributed by customers in the PRC over the Track Record Period, our Directors are of the view that the outbreak has no material impact on our major market. Up to the Latest Practicable Date, our Group had not experienced any cancellation of sales orders due to the COVID-19 outbreak. We recorded a decrease in revenue for the eight months ended 31 August 2020 as compared with the corresponding period in 2019, but our Directors are of the view that business will pick up gradually. Moreover, the revenue generated from recurring customers that we have maintained a relationship with throughout the Track Record Period made up approximately 70.4%,

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78.9%, 85.2% and 83.0% of our revenue for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively. Our Directors are of the view that, with our stable business relationships with major OEM customers and distributors, even if we are forced to suspend any face-to-face contact with new potential customers in recent months, we would still be able to solicit sales from existing customers through phone calls and/or emails. As at the Latest Practicable Date, we did not encounter any delay in delivery to our customers and we have not received any indication or notification from any of our customers of their intention to cancel or reduce their order size as a result of the COVID-19 outbreak in all material aspects.

Suppliers

During the Track Record Period, we generally procured raw materials from over 60 supplier in the PRC. As at the Latest Practicable Date, based on our Directors' best knowledge and understanding, goods and cargo are not subject to restriction and our Group did not encounter any significant delay in delivery from our suppliers due to the COVID-19 outbreak. Since the outbreak, our Group has also placed orders with our suppliers as usual and goods were duly delivered and received as at the Latest Practicable Date. There had been no cancellation of purchase order by our suppliers that may cast doubt on their ability to offer stable supply. Accordingly, our Directors are of the view that the COVID-19 outbreak has a limited impact on our supply chain.

Having considered that (i) our operation is based in Jinjiang, Fujian Province, the PRC, which is not subject to large scale outbreak of the COVID-19 up to the Latest Practicable Date; (ii) our operation suffered limited impact during the outbreak of the COVID-19; (iii) none of our employees reported symptoms of being infected with the COVID-19 up to the Latest Practicable Date; (iv) our production has fully resumed; (v) we had not experienced any cancellation of sales orders and/or delay in delivery due to the COVID-19 outbreak; (vi) we are able to solicit sales from existing customers through phone calls and/or emails; (vii) we were informed by our major suppliers that they remain normal operations; and (viii) we had not experienced any cancellation of purchase orders and/or delay in delivery due to the COVID-19 outbreak, our Directors are of the view that the impact of the outbreak of the COVID-19 on our business operations and financial performance is not significant.

Although there was a drop in the revenue for the eight months ended 31 August 2020, our Directors consider that the sales of our products can largely recover afterwards after having considered that (i) we recorded a higher revenue in September and October 2020 as compared to that in September and October 2019, (ii) our average utilisation rate reached approximately 104.4% and 86.8% for September and October 2020, respectively, (iii) as stated in the section headed "Industry overview" in this prospectus, Frost & Sullivan considered that the outbreak of the COVID-19 will only have short term effect, and will not change the overall positive prospect of the industry as indicated by the increasing expected market size of sugar confectionery retail market by sales value in the PRC from 2013 to 2022, and (iv) the confirmed purchase orders for the year ending 31 December 2021 received up to the Latest Practicable Date (i.e. 17 February 2021) has increased when compared to that as at 17 February 2020 for the year ended 31 December 2020.

We have implemented additional precautionary measures to maintain a hygienic working environment. For details, please refer to the section headed "Business — Occupational safety and health — Precautionary measures to maintain a hygienic working environment" in this prospectus. To implement these measures, we have incurred expenses amounted to approximately RMB0.5 million since the outbreak of the COVID-19 and up to the Latest Practicable Date.

Our executive Directors will continue to assess the impact of the COVID-19 epidemic on our business, result of operations and financial performance and closely monitor our exposure to the risks and uncertainties in connection with the COVID-19 epidemic.

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Other updates

Our revenue for the eight months ended 31 August 2020 was lower than that for the corresponding period in 2019. Our gross profit margin for the eight months ended 31 August 2020 was lower to that of the corresponding period in 2019. The net profit of our Group for the year ended 31 December 2020 is expected to be adversely affected by the expected increase in the administrative expenses primarily attributable to the non-recurring Listing expenses and the expected decrease in revenue.

In order to increase our production capacity to cope with customers' demand, we installed various machines for a new production line for manufacture of jelly candies as a new category of our products. To facilitate the expansion of our production facilities, construction of a new factory building at our factory premises was carried out and has been completed and we have obtained the necessary property ownership certificate of the building in March 2019. We carried out testing of the production line in May 2019 and completed trial production in August 2019 and commercial production commenced in September 2019. We believe that our future success, in part, depends on our ability to enhance our production capabilities. Therefore, we plan to increase the number of our production lines for existing products (i.e. gum-based candies and tablet candies) having considered, among others, the high utilisation rates of our existing production lines for manufacture of gum-based candies and tablet candies during the Track Record Period. We plan to build a new factory building for housing these new production lines due to limited space. It is expected that construction work of the new factory building will commence in or around March 2021 and will complete in or around March 2022, tentatively. Furthermore, due to natural ageing of machines and to improve our production and operation efficiency, we purchase new machines to replace some of our machines and equipment of our existing production lines from time to time. The capital commitment of our Group as at the Latest Practicable Date was approximately RMB15.0 million in relation to replacement of machines in our existing production. Given that the cash and cash equivalents of the Company as at 31 December 2020 only amounted to approximately RMB28.5 million, the Directors plan to apply part of the net proceeds from the Global Offering to settle the capital commitment. Please refer to the section headed "Business — Production — Our production facilities" for further details.

We acquired another parcel of land in Jinjiang City in December 2017. We intend to build new factory buildings for expansion of our production facilities and capacities in the future. The new factory for housing the new production lines for manufacturing our existing products (being gum-based candies and tablet candies) will be located on that parcel of land. The construction work of the new factory shall commence in June 2020 in accordance to a supplemental contract entered into between our Group and a construction company. Construction for the supply of water, electricity and gas and the provision of telecommunication facilities and road access as well as the levelling of the ground on the construction site commenced in June 2020 and shall be completed by March 2021 according to a second supplemental contract. It is expected that the formal construction work would commence in or around March 2021 and the construction work will be completed in or around March 2022, tentatively, subject to the receipt of necessary licences, permits or approvals from relative authorities relating to the construction work and the construction work progress which may be beyond our control. For further information, please refer to the section headed "Business — Our business strategies — Our production base is scaled and well-equipped for automated manufacturing of confectionary products" in this prospectus.

Our Directors consider that, save for the expenses in connection with the Listing and the capital expenditure for the completion of the construction in progress, which are non-recurring in nature, and the impact of COVID-19, there is no material adverse change in the financial or trading position or prospects of our Group since 31 August 2020 and up to the date of this prospectus and there has been no event since 31 August 2020 which would materially affect the information shown in the accountants' report in Appendix I to this prospectus.

SUMMARY

LISTING EXPENSE

The total Listing expenses in relation to the Global Offering, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RMB56.3 million (equivalent to approximately HK\$67.8 million) (based on the mid-point of the indicative Offer Price range of HK\$0.70 per Offer Share), representing approximately 48.9% of gross proceeds. For illustrative purpose, the Listing expenses are estimated to be approximately RMB54.9 million to approximately RMB57.7 million (equivalent to approximately HK\$66.1 million to approximately HK\$69.5 million) (based on the low-end of the indicative Offer Price range of HK\$0.65 and the high-end of the indicative Offer Price range of HK\$0.75 per Offer Share), representing approximately 51.4% and 46.8% of gross proceeds, respectively.

Among the estimated total listing fees, (i) approximately RMB27.9 million (equivalent to approximately HK\$33.6 million) is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately RMB28.4 million (equivalent to approximately HK\$34.2 million) will be recorded as expenses in the consolidated statement of profit or loss and other comprehensive income, of which approximately RMB4.0 million (equivalent to approximately HK\$4.8 million), approximately RMB7.4 million (equivalent to approximately HK\$8.9 million) and approximately RMB1.1 million (equivalent to approximately HK\$1.3 million) had been recognised for the years ended 31 December 2018 and 2019 and the eight months ended 31 August 2020, respectively, and the remaining amount of approximately RMB15.9 million (equivalent to approximately HK\$19.2 million) is expected to be recognised for the year ending 31 December 2021. The estimated Listing expenses are subject to adjustments based on the actual amount of expenses incurred or to be incurred by us upon completion of the Listing.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2020

The following unaudited pro forma estimated earnings per Share for the year ended 31 December 2020 has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, and is set out to illustrate the effect of the Global Offering and the Capitalisation Issue as if they had taken place on 31 August 2020, and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering and Capitalisation Issue or at any future date. On the bases set out in Appendix III to this prospectus, we have prepared the profit estimate for the year ended 31 December 2020 as follows:

Estimated consolidated profit attributable to owners of the Company	Not less than RMB44.0 million
Unaudited pro forma estimated earnings per Share	Not less than RMB0.056

The profit estimate, for which our Directors are solely responsible, has been prepared on the basis of the audited consolidated results of our Group for the eight months ended 31 August 2020 and unaudited consolidated financial results of the Group for the remaining four months ended 31 December 2020.

The calculation of the unaudited pro forma estimated earnings per Share for the year ended 31 December 2020 is based on the unaudited estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2020, on the assumption that a total of 792,000,000 Shares were issued under the Global Offering and the Shares under the Capitalisation Issue had been in issue as at 1 January 2021, without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

SUMMARY

GLOBAL OFFERING STATISTICS

	Based on Offer Price of HK\$0.65 per Share	Based on Offer Price of HK\$0.75 per Share
Market capitalisation of our Shares ⁽¹⁾	HK\$514.8 million	HK\$594.0 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽²⁾		
— RMB	0.37	0.39
— HK\$	0.45	0.47

Notes:

- (1) The calculation of market capitalisation is based on 198,000,000 new Shares expected to be issued under the Global Offering, and assuming that 792,000,000 Shares are issued immediately following the completion of the Capitalisation Issue, the share subdivision and the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus and on the basis that 792,000,000 Shares were in issue, which represents the number of Shares in issue immediately following the completion of the Global Offering of 198,000,000 Shares.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$70.8 million (equivalent to approximately RMB58.8 million) from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated Listing expenses payable by us and assuming the initial Offer Price of HK\$0.70 per Share, being the mid-point of the indicative Offer Price range of HK\$0.65 per Share to HK\$0.75 per Share. We currently intend to apply the net proceeds from the Global Offering in the following manner:

	% of the net proceeds	HKD million	(equivalent to RMB million)
Expansion of production capacities	51.0	36.1	30.0
Replacement of machines in existing production lines	25.5	18.1	15.0
Partial repayment of bank loans	7.9	5.6	4.6
Enhancement of marketing efforts	8.5	6.0	5.0
Working capital	7.1	5.0	4.2
Total	100.0	70.8	58.8

For more details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

DIVIDEND

After completion of the Global Offering, our Shareholders will be entitled to receive dividend declared by our Company. Dividend payment are discretionary and 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

SUMMARY

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. Our dividend distribution record in the past may not be used as reference or basis to determine the level of dividend which may be declared or paid by our Company in the future.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include: (i) substantial amount of our revenue from OEM customers was derived from a few major OEM customers; (ii) reliance on our third party distributors for the sale of our owned-branded products to their respective sub-distributors and retailers and termination of or failure to renew our distribution agreements with our third party distributors, may significantly decrease the sale of our owned-branded product; (iii) negative influence on our business if our third party distributors fail to comply with our distribution policies and if our third party distributors fail to perform as expected; (iv) not being able to maintain the existing business relationship with our suppliers; (v) unfavourable fluctuations in price, availability and quality of raw materials could cause material delays in our productions and increase our costs of sales; (vi) the outbreak of the COVID-19; (vii) our business being susceptible to food-borne illness claims and product liability claims, which may increase the likelihood of reputational risk; and (viii) we recorded net current liabilities during the Track Record Period. Please refer to the section headed “Risk factors” in this prospectus for details of our risk factors.

LEGAL PROCEEDINGS AND COMPLIANCE

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, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our management, could have a material adverse effect on our operations or financial condition. Our Directors have confirmed that, no member of our Group is currently engaged in any material litigation, arbitration or administrative proceeding.

During the Track Record Period and up to the Latest Practicable Date, there were non-compliance incidents in relation to (i) the social insurance plans and the housing provident fund and (ii) discharging effluent of parameters out of the permitted range exceeding the permitted quantity. We had not committed any material non-compliance of the laws or regulations, nor did we experience any systemic non-compliance incidents, which taken as a whole, in the opinion of our Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any non-compliance of the laws or regulations, which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of our Company, our Directors or our senior management, to operate our business in a compliant manner.

Please refer to the section headed “Business — Legal proceedings and compliance” in this prospectus for further details.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

The United States and other jurisdictions or organisations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries. During the Track Record Period, we generated a small amount of our revenue from the sales and/or deliveries of our products to customers located in the Relevant Countries. Our revenue generated from sales and/or deliveries to the Relevant Countries amounted to approximately RMB5.4 million, RMB6.5 million,

SUMMARY

RMB0.8 million and nil, representing approximately 1.5%, 1.7%, 0.2% and nil of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively. Other than our sales to the Relevant Countries, we did not sell or deliver our products to customers in any other countries subject to International Sanctions.

As advised by our International Sanctions Legal Advisers, our activities during the Track Record Period do not appear to implicate restrictions under International Sanctions. Further, given the scope of our Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including our Company and its subsidiaries, their respective investors, shareholders, directors and employees and the Stock Exchange and its listing committee and group companies, the HKSCC and the SFC, or any person involved in the Global Offering and accordingly, the sanction risk exposure to our Company and its subsidiaries, their respective investors, shareholders, directors and employees and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of the Shares (including the Stock Exchange, its listing committee and related group companies, the HKSCC and the SFC) is very low.

Since January 2019, we have completed the delivery of products to and ceased all our sales transactions with customers located in the Relevant Countries. Our Directors confirm that we do not intend to conduct any further business or sell any of our products to customers located in the Relevant Countries or other countries subject to International Sanctions in the future. Please refer to the section headed “Risk factors — Risks relating to our business and industry — We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the United States government, the United Nations Security Council, the EU and other relevant sanctions authorities” in this prospectus for further details.

PROPERTY VALUATION REPORT

As at the Latest Practicable Date, our Group owned two properties in the PRC. Pursuant to Rules 5.01A and 5.01B of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) is or is above 15% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the prospectus must include the full text of a valuation report for such property interest. As at 31 August 2020, being the date of which the most recent audited consolidated statements of the financial position of our Group, the carrying amount of our owned properties exceeds 15% of our total assets. Thus, a property valuation report in respect of our owned properties is included in this prospectus. The Property Valuation Report prepared by Colliers International (Hong Kong) Limited, an independent valuer, applied the depreciated replacement cost method and the market approach method. The valuation was made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests. The valuation of our Group’s owned properties in the PRC were in aggregate, approximately RMB209.3 million as at 31 January 2021. Please refer to the Property Valuation Report in Appendix IV to this prospectus for further details.

DEFINITIONS

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

“affiliate(s)”	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“APOC” or “Pre-IPO Investor”	APOC Holdings Limited (名泰富控股有限公司), a company incorporated in the BVI with limited liability on 21 June 2017, solely owned by Mr. Lee
“APOC HK”	APOC Investment Limited (名泰富投資有限公司), a company incorporated in Hong Kong with limited liability on 30 October 2017, a passive investor and wholly owned by APOC
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or where the context so requires, any one of them, to the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 18 February 2021 and effective from the Listing Date, as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Business Day(s)” or “business day(s)”	any day(s) on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “A. Further information about our Company — 3. Resolutions in writing of the Shareholders” in Appendix VI to this prospectus
“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

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
“Circular 37”	Circular on the Foreign Exchange Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles* (《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》), which was promulgated by the SAFE and became effective on 4 July 2014
“Companies Act” or “Cayman Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Jiujiuwang Food International Limited (久久王食品国际有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 21 February 2017
“Concert Parties Confirmatory Deed”	a confirmatory deed dated 29 March 2019 made by our ultimate Controlling Shareholders, namely Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian to acknowledge and confirm, among other things, that they are parties acting in concert in relation to our Group, details of which are disclosed in the section headed “History, development and Reorganisation — Parties acting in concert” in this prospectus
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus, means by virtue of the acting in concert arrangement among Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian, which is confirmed and documented in the Concert Parties Confirmatory Deed means a group of Shareholders consisting Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian and the companies wholly owned by them for holding the Shares, namely Jianeng, Xiejia and Haisen respectively
“Coolsa Food”	Jinjiang Coolsa Food Limited* (晉江市酷莎食品有限責任公司), a company established under the laws of the PRC with limited liability on 10 April 2017 and an indirect wholly-owned subsidiary of our Company
“COVID-19”	a respiratory illness that was first reported in December 2019 and officially named by the World Health Organisation as COVID-19
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Deed of Indemnity”	a deed of indemnity dated 21 February 2021 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in the paragraph headed “D. Other information — 2. Tax and other indemnities” in Appendix VI to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 21 February 2021 given by each of our Controlling Shareholders in favour of our Company (for itself and as trustee for each of the subsidiaries), particulars of which are set out in “Relationship with Our Controlling Shareholders — Non-competition undertakings” in this prospectus
“Director(s)”	the directors of our Company
“EIT Law”	the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) adopted by the National People’s Congress on 16 March 2007, last amended on 29 December 2018 with effect from the same day
“EU”	the European Union

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“Extreme Conditions”	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
“Food Safety Law”	the Food Safety Law of the PRC* (《中華人民共和國食品安全法》), which was promulgated on 28 February 2009 and last amended on 29 December 2018 with effect from the same day
“Frost & Sullivan”	Frost & Sullivan Limited, a global market research and consulting company, which is an Independent Third Party
“Frost & Sullivan Report”	an independent market research report, commissioned by our Company on the PRC confectionary market and prepared by Frost & Sullivan
“g”	gram(s)
“Gary & Bros Confectionary”	Gary & Bros Confectionary (Beijing) Co., Limited* (格瑞兄弟糖果(北京)有限公司), a company established under the laws of the PRC with limited liability on 29 December 2014, a related party of our Company for the period from 30 September 2015 to 5 December 2018 and thereafter an Independent Third Party
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries, at the relevant time, or where the context so requires in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Haisen”	Haisen International Limited (嗨森国际有限公司), a company incorporated in the BVI with limited liability on 14 November 2016 and is solely owned by Mr. Zheng Guodian who is one of our Controlling Shareholders
“HK\$”, “Hong Kong dollar(s)”, “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong

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“HKFRSs”	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company 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 Branch Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Public Offer Share(s)”	the 19,800,000 new Shares being made available by our Company for subscription 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 for subscription of the Public Offer Shares in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated 25 February 2021, relating to the Hong Kong Public Offering, entered into by, among others, our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates

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“International Placing”	the conditional placing by the International Underwriters of the International Placing Shares for cash at the Offer Price plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in the section headed “Structure of the Global Offering” in this prospectus, on and subject to the terms and conditions stated herein and in the International Underwriting Agreement
“International Placing Share(s)”	the 178,200,000 new Shares initially offered by our Company for subscription at the Offer Price under the International Placing (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus) together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option
“International Sanctions”	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the United States, the EU and its member states, United Nations or Australia
“International Sanctions Legal Advisers”	Hogan Lovells, our legal advisers as to International Sanctions law
“International Underwriters”	the underwriters of the International Placing
“International Underwriting Agreement”	the conditional placing and underwriting agreement relating to the International Placing and to be entered into by, among others, our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters, on or about the Price Determination Date
“Investment Agreement”	an investment agreement dated 5 October 2018, entered into between our Company, Jianeng, Haisen, Xiejia and APOC, pursuant to which our Company allotted and issued 15,464 shares at a par value of US\$0.1 each in our Company to APOC
“Jianeng”	Jianeng International Limited (佳能国际有限公司), a company incorporated in the BVI with limited liability on 14 November 2016 and is solely owned by Mr. Zheng Zhenzhong who is one of our Controlling Shareholders

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“Jiujiuwang Co”	Jiujiuwang Co., Ltd.* (久久王有限責任公司), a company established under the laws of the PRC with limited liability on 25 November 2014, which became an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Jiujiuwang Food”	Fujian Jiujiuwang Food Industry Co., Ltd.* (福建久久王食品工業有限公司), a company established under the laws of the PRC with limited liability on 4 July 1999 and an indirect wholly-owned subsidiary of our Company
“Joint Bookrunners”	Lego Securities Limited, Aristo Securities Limited, China Tonghai Securities Limited, First Fidelity Capital (International) Limited and Seazen Resources Securities Limited
“Joint Global Coordinators”	Lego Securities Limited, Aristo Securities Limited, China Tonghai Securities Limited, First Fidelity Capital (International) Limited and Seazen Resources Securities Limited
“Joint Lead Managers”	Lego Securities Limited, Aristo Securities Limited, China Tonghai Securities Limited, First Fidelity Capital (International) Limited, Seazen Resources Securities Limited, Brilliant Norton Securities Company Limited, Fruit Tree Securities Limited, Grand China Securities Limited, Kirin Securities Limited, Lee Go Securities Limited, MTF Securities Limited, Realord Asia Pacific Securities Limited and Yuzhou Financial Holdings Limited
“Junwo”	Junwo International Limited (君沃國際有限公司), a company incorporated in Hong Kong with limited liability on 24 May 2017 and a direct wholly-owned subsidiary of our Company
“kg”	kilogram(s)
“Latest Practicable Date”	17 February 2021, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Tuesday, 16 March 2021, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or modified from time to time

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“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 18 February 2021 and as amended from time to time
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Lee”	Mr. David Lee (李大維), the sole shareholder of APOC and an indirect Shareholder
“Mr. Zheng Guodian”	Mr. Zheng Guodian (鄭國典), one of our Controlling Shareholders, the son of Mr. Zheng Zhenzhong and the younger brother of Mr. Zheng Guosi
“Mr. Zheng Guosi”	Mr. Zheng Guosi (鄭國思), one of our Controlling Shareholders and an executive Director, the son of Mr. Zheng Zhenzhong and the elder brother of Mr. Zheng Guodian
“Mr. Zheng Zhenzhong”	Mr. Zheng Zhenzhong (鄭振忠), our founder, one of our Controlling Shareholders, an executive Director and the chairman of our Board, the father of Mr. Zheng Guosi and Mr. Zheng Guodian
“M&A Rules”	Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》), which was jointly issued by six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, SAT, SAIC, CSRC and SAFE on 8 August 2006 and became effective on the same day and was amended by the MOFCOM on 22 June 2009
“National People’s Congress” or “NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“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)
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control

DEFINITIONS

“Offer Price”	the final price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) of not more than HK\$0.75 and expected to be not less than HK\$0.65, at which the Hong Kong Public Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Placing Shares are to be subscribed for pursuant to the International Placing, to be determined as described in the section headed “Structure of the Global Offering” in this prospectus
“Offer Share(s)”	the Hong Kong Public Offer Shares and the International Placing Shares, where relevant, including any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, to require our Company to allot and issue up to an aggregate of 29,700,000 additional Shares at the Offer Price, representing 15% of the Shares initially being offered under the Global Offering, to cover over allocations in the International Placing as described in the section headed “Structure of the Global Offering” in this prospectus
“PRC Company Law”	the Company Law of the PRC* (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018, as amended, supplemented or otherwise modified from time to time
“PRC government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“PRC Legal Advisers”	(i) Fieldfisher Beijing Law Firm and (ii) AllBright Law Offices, our legal advisers as to the PRC law
“Pre-IPO Investment”	the pre-IPO investment in our Group as further described in the section headed “History, development and Reorganisation — Pre-IPO Investment” in this prospectus

DEFINITIONS

“Price Determination Date”	the date, expected to be on or around Friday, 5 March 2021 or such other date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may agree and, in any event, not later than Monday, 8 March 2021, on which the Offer Price is to be fixed by agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) to determine the Offer Price
“Property Valuation Report”	the property valuation report in relation to the property interests of our Group issued by Colliers International (Hong Kong) Limited, an independent valuer, the text of which is as set out in Appendix IV to this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Countries”	Côte d’Ivoire, Guinea, Haiti, Russia and Ukraine
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, development and Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters, among others, relating to foreign exchange administration, including local branches, when applicable
“SAIC” or “State Administration for Industry and Commerce”	the 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)
“Sanctioned Person(s)”	certain person(s) and entity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the United States, EU, the United Nations or Australia
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	The Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“SDN List”	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons

DEFINITIONS

“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
“Share(s)”	ordinary share(s) of US\$0.1 each in the share capital of our Company, or where the context so requires in respect of the period after the subdivision of Shares, ordinary share(s) of US\$0.0001 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 18 February 2021, the principal terms of which are summarised in the paragraph headed “D. Other Information — 1. Share Option Scheme” in Appendix VI to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Sponsor”	Lego Corporate Finance Limited, a licensed corporation under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activity (as defined under the SFO)
“sq.m.”	square metre
“Stabilising Manager”	First Fidelity Capital (International) Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Xiejia and the Stabilising Manager (or its agents) on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

DEFINITIONS

“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time, 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
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ White Form eIPO ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xiejia”	XIEJIA LIMITED, a company incorporated in the BVI with limited liability on 16 November 2017 and is solely owned by Mr. Zheng Guosi, who is one of our Controlling Shareholders
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“%”	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars at an exchange rate of RMB0.830 = HK\$1.000 for illustration purpose only. Such conversion shall not be construed as representations that amounts in Renminbi was or could have been or could be converted into Hong Kong dollars at such rate or any other exchange rates on such date or any other date.

English translations of the PRC entities, enterprises, nationals, facilities or regulations in Chinese or another language are for identification purpose only. If there is any inconsistency between the Chinese names of PRC entities, enterprises, nationals, facilities or regulations and their English translations, the Chinese names shall prevail.

DEFINITIONS

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

All dates and times in this prospectus refer to Hong Kong time under otherwise stated.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus in connection with us and our business. The terms and their meanings may not correspond to the standard industry meanings, calculations or usage of those terms.

“COD”	Chemical Oxygen Demand, which is commonly used to indirectly measure the amount of organic compounds in water. Most applications of COD determine the amount of organic pollutants found in surface water (e.g. lakes and rivers), making COD a useful measure of water quality
“ISO”	International Organisation for Standardisation standards, for quality management which are primarily concerned with what an organisation does to ensure that its products conform to customer and applicable regulatory requirements and which set requirements for what an organisation must do to manage processes influencing product quality
“OEM”	acronym for original equipment manufacturing, a business that manufactures goods or equipment for branding and resale by customers
“SC”	a symbol in the Food Production Licence which should be lawfully obtained prior to engaging in food production activities within the territory of PRC
“Sorbitol”	a sweet alcohol that occurs in fruits, and is used as a sweetener
“Xylitol”	a crystalline alcohol that is a derivative of xylose, and is used as a sweetener

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk factors”, “Industry overview”, “Business”, “Financial information” and “Future plans and use of proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend; and
- our profit estimate and other prospective financial information.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of any government relating to any aspect of our business or operations;
- general global economic, market and business conditions;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk factors” in this prospectus.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

You should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Global Offering. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could fall due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the PRC; (iii) risks relating to the Global Offering; and (iv) risks relating to the statements made in this prospectus. You should consider carefully our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Substantial amount of our revenue from OEM customers was derived from a few major OEM customers.

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we sold our OEM products to 33, 33, 37 and 22 customers, respectively, and generated revenue of approximately RMB191.2 million, RMB215.6 million, RMB202.7 million and RMB99.5 million from the sales of OEM products, respectively, representing approximately 53.8%, 56.6%, 48.9% and 41.8% of our total revenue during the corresponding years/periods, respectively. Our revenue derived from the sales of our products to our largest OEM customer, Gary & Bros Confectionary, accounted for approximately RMB78.8 million, RMB95.8 million, RMB98.7 million and RMB47.5 million for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively, representing approximately 22.2%, 25.1%, 23.8% and 20.0% of our revenue for the corresponding years/periods. During the Track Record Period and until 5 December 2018, Gary & Bros Confectionary was owned as to 15% by Mr. Zheng Guosi, our executive Director. For further information, please refer to the section headed "Relationship with Controlling Shareholders — Past related party transactions" in this prospectus. If the sales of our products to major OEM customers including Gary & Bros Confectionary drop significantly or we are not able to secure new OEM customers when we cease business relationship with any of them, our business and financial condition would be adversely affected.

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We rely on our third party distributors for the sale of our owned-branded products to their respective sub-distributors and retailers. Termination of or failure to renew our distribution agreements with our third party distributors, may significantly decrease the sale of our owned-branded products.

We primarily sell our owned-branded products to our third party distributors on a wholesale basis. Our third party distributors sell our products to their respective sub-distributors and retailers through their sales network. According to the Frost & Sullivan Report, it is a common industry practice for confectionary product manufacturers to engage distributors for sale of their products in the PRC so as to reach broader customer base. As at 31 August 2020, we had 129 third party distributors. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, sales to our third party distributors accounted for approximately 45.9%, 42.0%, 48.3% and 56.2% of our revenue, respectively. During the Track Record Period, we generally entered into distribution agreements with our third party distributors. We cannot assure you that the distribution agreements we have with the existing third party distributors will be renewed on the same or similar terms, or at all, upon or before the expiration of these distribution agreements, nor can we assure you that existing third party distributors will not terminate these distribution agreements before they expire. There is no assurance that we will be able to maintain the existing business relationship with our third party distributors or that the existing third party distributors will continue to place orders with us at historical levels, or at all. If any of our major third party distributors substantially reduces its volume of purchases from us or ceases to do business with us altogether, our sales may decrease substantially and our financial condition and results of operation may be materially and adversely affected.

Our business may be negatively affected if our third party distributors fail to comply with our distribution policies and if our third party distributors fail to perform as expected.

We rely on the contractual terms as set forth in our distribution agreements to impose our policies on third party distributors in respect of their sales of our owned-branded products. We also depend on the performance of our third party distributors to meet the demands for our own-branded products and maintain or increase our sales volume. The performance of our third party distributors may be affected by a number of factors including (i) their relationship with their respective sub-distributors, (ii) their financial performance and (iii) their success in promoting our own-branded products. If our third party distributors are unable to meet our requirements or fulfil obligations set out in the distribution agreements or fail to perform as expected, we may not be able to manage our sales network or maintain our brand image effectively, and it may result in damage of our reputation or results of operation and lead to an unfavourable perception of our brands. In addition, we may not be able to identify appropriate replacement for the third party distributors who fail to comply with our distribution policies or meet our expectation in a timely manner. As a result, our business and results of operation may be materially and adversely affected.

We generally do not enter into long term contracts nor contracts with minimum purchase requirement with our customers.

We generally do not enter into any long term contract nor any contract with minimum purchase requirement with our customers. As our customers only place orders with us on an order-by-order basis, there is no assurance that our customers will continue placing orders with us at a comparable level as they did during the Track Record Period or at all. Volume of purchase orders from our customers may

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vary significantly from time to time and we cannot guarantee that our business will grow or remain stable as it did during the Track Record Period. If our customers reduce their orders or cease placing orders with us, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to maintain the existing business relationship with our suppliers.

We rely on our suppliers to provide us with raw materials for manufacture of our products. Although we seek to maintain a stable business relationship with most of our suppliers, we cannot assure you that our suppliers will continue to maintain business relationship with us by renewing the contracts at the same terms or terms acceptable to us upon expiry thereof, or even maintain such business relationship with us at all. If any supplier terminates or refuses to renew a contract with us or fails to fulfil their obligations pursuant to our orders, we may not be able to secure any suitable alternative suppliers as replacement on terms acceptable to us in a timely and efficient manner. As a result, our business, financial condition and results of operation may be materially and adversely affected.

We recorded net current liabilities during the Track Record Period.

As at 31 December 2018 and 2019 and 31 August 2020, we recorded net current liabilities of approximately RMB65.0 million, RMB48.4 million and RMB17.0 million, respectively. Please refer to the section headed “Financial information — Liquidity and capital resources — Net current assets and liabilities” in this prospectus for details. We cannot assure you that we will not experience periods of net current liabilities in the future. We may continue to record net current liabilities in future periods as we continue to expand. A net current liabilities position could expose us to liquidity risks, constrain our operational flexibility and adversely affect our ability to obtain financing and expand our business. There can be no assurance that we will always be able to generate sufficient cash flow from our operations or obtain necessary funding to meet our present and future financial needs, including to repay our loans upon maturity and finance our capital commitments. If we fail to meet our financial obligations, our business, liquidity, financial position and prospects could be materially and adversely affected.

Our financial conditions, results of operations and business may be adversely affected if we are unable to enhance our production capacities.

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, the average utilisation rates of our production capacities for manufacturing our major confectionary products (being gum-based candies, tablet candies, aerated candies, hard candies and jelly candies) were approximately 100.9%, 93.0%, 90.7% and 73.3%, respectively. Over the Track Record Period, our production capacity was also enhanced, being approximately 11,609.0 tonnes, 12,405.4 tonnes, 13,505.4 tonnes and 10,030.2 tonnes for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively. We believe that our future success, in part, depends on our ability to enhance our production capabilities, which include increasing our production utilisation rate, improving our production efficiency, acquiring and upgrading equipment and production facilities and modifying our existing production processes. In order to meet demand for our products and achieve a desired level of economies of scale in our operation and to deliver high quality products at a competitive cost level, we are required to continue to expand our existing production capacity. Our continuous expansion plans and business growth require substantial capital expenditure. We intend to fund such expansions by using cash generated from our operations, the net proceeds from the Global

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Offering and/or debt and/or equity financing in the future. Any adverse change in the general market conditions for financing activities, the prevailing economic and political conditions and our future financial position may affect our ability to obtain any necessary additional financing in time on reasonable terms or at all. If we are unable to finance the acquisition of the equipment we need, we may not be able to expand our production capacity or enhance our production capabilities to satisfy the demand from our customers. As a result, our growth prospects would be limited. In addition, we also cannot assure you that these plans will be implemented successfully on time, or at all, within budget, or may result in the anticipated benefits.

Furthermore, our efforts to enhance our production capabilities may not achieve the expected benefits. We cannot assure you that the demand for our products will continue to increase, or remain at the current levels, which is affected by various factors beyond our control, including underlying economic conditions and market competitiveness. If the demand for our products is weaker than anticipated, we may experience problems associated with overcapacity and under-utilisation of headcounts and other resources, which may have an adverse effect on our financial conditions, results of operations and business.

We are exposed to risk of inventories obsolescence.

We had inventories of approximately RMB77.9 million, RMB74.7 million, RMB73.8 million and RMB80.7 million as at 31 December 2017, 2018 and 2019 and 31 August 2020, respectively. Our average inventory turnover days were recorded at approximately 103.2 days, 104.7 days, 95.6 days and 115.7 days for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively. The demand for our products is dependent on our customers' preferences, the success of our sub-distributors and the economic condition of the markets where they operate, which are beyond our control. Any increase in inventory may adversely affect our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected. Further, if we fail to develop and manufacture confectionary products which suit customer preference in the future, the volume of obsolete inventory may increase and we may need to either sell off such inventory at a lower price or write off such inventory, in the event of which our financial position and results of operations may be materially affected.

Shifts in consumer demand for our products could adversely affect our sales.

Our sales is affected by a number of factors, including significant changes in consumer preferences, our ability to anticipate and respond to changes in consumer trends, mounting health concerns regarding the effects of sugar, artificial food colouring or other ingredients, rising awareness of healthy diet and quality of products we offer. Due to the rising living standard, end-consumers in the PRC are increasingly health conscious and they tend to consume products with less sugar content given that sugar is considered a trigger of weight gain and causing negative impact on physical health. To cater for the market demand, retailers tend to provide products with extra health value, products with added vitamins or other nutrition. We believe that, in order to achieve continued and sustainable success in our business, we must be able to anticipate, identify and respond promptly to changes in consumers' tastes and preferences. Thus, we put continuous efforts in product development and expand our product offerings. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we introduced 30, 31, 60 and 30 products with either added vitamins or sugar-free formula, respectively. For further information about our product development, please refer to the section headed

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“Business — Product research and development” in this prospectus. If we cannot anticipate changes in consumers’ tastes and preferences and respond to emerging consumption trend, the demand for our products may decrease. Additionally, trends and shifts in consumers’ tastes and preferences may apply downward pressure on sales and pricing of our existing products or lead to increased levels of selling and advertising expenses. Should there be rapid changes in consumer demand, we may not be able to respond successfully or at reasonable cost, thereby adversely affecting our business and financial performance.

We may not be able to build our new factory building on time, on budget or at all.

We intend to build a new factory building to enhance our production capacities. Our plan to build a new factory building is affected by various factors, including obtaining financing, receiving government approvals, licences and permits, which may be out of our control. Moreover, the construction work of our factory may be affected by a number of factors, including the performance and efficiency of the construction contractors, changes in relevant regulations and government policies, construction accidents, adverse weather conditions, delays in obtaining the necessary licences, permits or approvals from relevant authorities in the PRC and other unforeseen problems and circumstances, which may adversely affect the schedule, costs and the success of the construction work. Any delays in the construction schedule, deviation from our planned specifications, failure to control the costs within budget as a result of the above factors may affect the time that our production capacities could be enhanced and our results of operations and financial position may also be adversely affected. We cannot assure you that we will not experience any significant delays in the construction work of our new factory building nor assure you that our new factory building will be built according to our proposed timeline. Any delays in the completion of our new factory may adversely affect our business, financial condition, results of operations and growth prospects.

The formulae of our products, which are trade secrets, may be leaked to third parties.

We rely on trade secrets protection to secure our product formulae and production processes. These trade secrets are protected by our internal policy regarding preservation and confidentiality of technical document and formulas of our products. If these trade secrets are leaked to our competitors, our competitors may be able to successfully imitate our products, while managing to provide comparable products at more competitive prices. Our market share may therefore decrease and our performance may be adversely affected. In addition, the intellectual property-related laws and their implementation in the PRC are still developing, which may result in a degree of uncertainty as to interpretation and enforcement and may limit the legal protections available to us. In the event that the protection afforded by law does not adequately safeguard our trade secrets and other intellectual property rights, we may suffer significant losses in revenues, and our business, results of operations and financial position could be materially and adversely affected.

Unfavourable fluctuations in price, availability and quality of raw materials could cause material production delays and materially increase our costs of sales.

The success of our overall business depends in part on the ability of our suppliers to obtain, in a timely manner, sufficient quantities of raw materials necessary for our manufacture of products that are of adequate quality and at commercially acceptable prices. During the Track Record Period, our direct materials primarily comprised of sugar, food additives, packaging materials and others. Direct materials, accounted for approximately 82.7%, 83.0%, 82.0% and 78.5% of the cost of goods sold for the years

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ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020. We generally do not enter into any long term agreements with suppliers and the price of direct materials is determined at the time of purchase. We were and are subject to price fluctuations in raw materials used in our manufacturing process. Supplies of these raw materials may be subject to a variety of factors that are beyond our control, including but not limited to market shortages, suppliers' business interruptions, government control, weather conditions and overall economic conditions, all of which may have an impact on the respective market prices on these raw materials from time to time. In the event that we are unable to pass our cost increases to customers in a timely manner, it may adversely impact our profit margin. Generally, unfavourable fluctuations in price, quality or availability of necessary raw materials could cause material production delays and negatively affect our costs of sales, as we may incur additional costs to acquire sufficient quantities of these raw materials in order to meet our production plan and schedules and to ensure timely delivery of our products to customers. For details of fluctuation in our key raw materials, please refer to the section headed "Financial information — Significant factors affecting our results of operations and financial condition — Price fluctuation of direct materials" in this prospectus.

Further, as at the Latest Practicable Date, we did not have any hedging arrangements protecting us from price fluctuations in raw materials. If we cannot pass on the increase in our costs to our customers or absorb an increase in such costs through improving our manufacturing and operating efficiency, adjusting our pricing strategy or other measures, the occurrence of such fluctuations could have material adverse impact on our business, financial condition and results of operation.

The outbreak of the COVID-19, may cause damage to its economy and as a result may adversely affect our business, results of operations and financial performance.

Beginning late 2019, the outbreak of the COVID-19, a highly contagious disease emerged and has spread globally since then. The PRC government announced certain measures including travel restrictions in certain major cities in the PRC in an effort to contain the outbreak of the COVID-19. On 30 January 2020, the World Health Organisation declared the outbreak of the COVID-19 a Public Health Emergency of International Concern (PHEIC). As at the Latest Practicable Date, the virus continued to spread globally, and death toll and number of infected cases continued to rise. The outbreak, which may result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people in and the economy. During the outbreak of the COVID-19, the purchasing willingness and power of consumers are reduced by the general economic downturn, coupled with the nature of our products being non-essential items, the sales of our products decreased compared with that during the same period in 2019 since our Group started to resume operation in March 2020. For the eight months ended 31 August 2020, the Group recorded a revenue of approximately RMB237.9 million, representing a decrease of approximately RMB21.8 million from the corresponding period in 2019. If the outbreak of the COVID-19 continues, it may affect the sales of our products, our financial performance and our expansion plan.

Such outbreak may disrupt our Group's ability to adequately staff our Group's business and may generally disrupt our Group's operations. Local authority in Fujian Province required enterprises to delay the resumption of work from the Chinese Lunar New Year in 2020 to not earlier than the mid-night of 9 February 2020. As at the Latest Practicable Date, our Group has resumed work and none of our employees has been laid off due to the outbreak of the COVID-19. If any of our Group's employees is suspected to have infected with the COVID-19, our Group may, under certain circumstances, be required to quarantine such employee and the affected areas within our Group's premises. As a result, our Group

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may have to temporarily suspend part or all of its operations. The outbreak may also affect the operations of our customers and suppliers, and may lead to serious disruption to the public in the affected areas, which could have an adverse effect on our business, results of operations and financial performance. As at the Latest Practicable Date, the Group is not aware of any extension in time required by customers to authorise payment to us. For further details of the impact of the outbreak of COVID-19 on the sugar confectionary manufacturing in the PRC, please refer to the section headed “Industry overview — Overview of sugar confectionary manufacturing market in the PRC — Impact of the COVID-19 on sugar confectionary manufacturing in the PRC” in this prospectus.

In response to the severity of the COVID-19 epidemic, a number of countries issued travel advisories recommending that persons travelling to certain affected areas, including certain areas of the PRC, consider postponing all but essential travel, and entry of persons having been to the affected areas are denied entry by certain countries. Some airlines have temporarily suspended flights to and from the PRC. The COVID-19 epidemic may cause damage to the trade and tourism industries as well as the overall economy. Any economic downturn and travel restrictions as a result of the COVID-19 epidemic may have an adverse effect on our business, results of operations and financial performance.

We are subject to risks beyond our control relating to epidemics, acts of terrorism, wars and other disasters in the PRC and globally.

Natural disasters, epidemics, acts of terrorism, wars or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in markets where we have, or plan to have, business operations. Some of these markets are situated in geographic regions of the PRC that are affected by or susceptible to the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts, power shortages or failures, as well as potential wars, terrorist attacks or epidemics such as the COVID-19, Ebola, severe acute respiratory syndrome (SARS), strains of avian influenza, the human swine influenza A (H1N1), the human swine influenza A (H5N1) and the human swine influenza A (H7N9). Serious natural disasters may result in a tremendous loss of lives, injuries and the destruction of assets, as well as disruptions to our business operations. Severe communicable disease outbreaks could result in widespread health crises that materially and adversely affect economic systems and financial markets. Acts of terrorism or wars may also injure our employees, cause loss of life, disrupt our business operations and adversely affect the financial well-being of our customers. Any of these and other factors beyond our control may create uncertainties within the overall business environment in the PRC and globally, thereby causing our business to suffer in ways that we cannot predict and may materially and adversely impact our business, results of operations and financial position.

Our business is susceptible to food-borne illness claims and product liability claims, which may increase the likelihood of reputational risk.

Our business is susceptible to food-borne illness claims and product liability claims like other businesses in the food manufacturing industry. We, like other food manufacturers, may be exposed to product safety or quality issues, such as food contamination or spoilage of raw materials during storage or transportation, unauthorised product tampering and product labelling errors. Although as part of our quality control we require our suppliers and distributors to follow our standards and guidelines, we cannot guarantee that they are in full compliance with all the relevant hygiene, health and safety standards. For details of the relevant hygiene, health and safety standards, please refer to the section headed “Business — Raw materials and quality control” in this prospectus.

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The consumption of contaminated or spoiled food products may result in illness, injury or, in extreme cases, death. Product safety and quality issues, actual or perceived, even when false or unfounded, may require our Group and/or our suppliers to recall the affected products from all markets in which they are distributed. Such issues or recalls could adversely affect our business and reputation. In addition, negative publicity regarding these types of issues may tarnish the image of our Group's brand and discourage consumers from buying our products. We may not be able to handle the negative comments effectively and in a timely manner and additional resources may be required to rebuild our reputation. Damage to our reputation or loss of consumer confidence in our products could lower the demand of our products and thus have a material adverse effect on our business, results of operation and financial performance.

Chinese food scandals may shake consumer confidence in PRC food industry, and thus lower the demand for our products.

Chinese food scandals have made negative media headlines in recent years. Consumers may be deterred from purchasing food products manufactured in the PRC, including our products which are also manufactured in the PRC. In addition, scares over the raw materials which our Group uses could weaken consumer confidence in our products, thereby causing an adverse impact on our business. We may not be able to find alternative sources that are of the same price or cheaper. The loss of a steady supply of raw materials could have a material adverse effect on our Group's operations, performance and prospects.

Replication or counterfeit of our own-branded products and our own-brands may adversely affect our reputation and brand image and hence our performance.

Our Group sells our products under our own-brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王). To protect our intellectual property rights, we registered our trademarks and other intellectual property rights in various places such as the PRC and Hong Kong. For information about our intellectual property rights, please refer to the paragraph headed "B. Further information about our business — 2. Intellectual property rights of our Group" in Appendix VI to this prospectus. There is no guarantee that our brand will not be passed off in future and in such event, our reputation and brand image, and hence our performance, may be adversely affected. Moreover, we cannot assure you that counterfeiting or imitation of our products will not occur in the future or, if it does occur, that we will be able to address the problem in a timely and effective manner. Any occurrence of counterfeiting or imitation of our products or other infringement of our intellectual property rights could negatively affect our brands, our reputation which in turn adversely affect the results of our operations. Litigation to prosecute infringements of our intellectual property rights could be costly and lengthy which may divert our managerial and financial resources. We would have to bear all costs arising from intellectual property litigations, whether it is raised by us or it is against us, and we may be unable to recover such costs from our opponents. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

The timing of our payment to suppliers may not match our receipt from customers.

To remain competitive in the market, we need to retain adequate level of working capital to guarantee smooth business operation and support the growth of our business. Most of our orders require us to commit a certain amount of cash and/or other resources, such as raw materials and packaging materials, prior to receiving any payments from our customers and we generally offer a credit period of

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up to 180 days to our customers. For further details, please refer to the section headed “Business — Customers” in the prospectus. The credit period offered by us to our customers is generally longer than the credit period offered to us by our suppliers. With our revenue continuously growing, the mismatch between trade receivables turnover days and trade payables turnover days would raise our liquidity risk. The gap between trade receivables turnover days and trade payables turnover days can result in high gearing ratio when we rely on bank borrowings to ease the pressure of our cash flow. Moreover, any default or delay in payment by our customers or our failure to collect trade receivables from them may broaden our cashflow mismatch, which may result in significant cash flow shortcomings in the future and adversely affect our cash position and results of operations.

Even where we are able to recover any losses incurred, the process of such recovery is usually time-consuming and requires financial and other resources to settle the disputes. Furthermore, there can be no assurance that any outcome will be in our favour or that any dispute will be resolved in a timely manner. Failure to secure adequate payments in time or to manage bad debt effectively could have a material adverse effect on our business, financial position, results of operations and prospects.

We face keen competition from other confectionary manufacturers.

According to the Frost & Sullivan Report, the sugar confectionary manufacturing market in the PRC is highly fragmented with more than 1,000 market participants of which a large number are small-scale manufacturers. We believe our ability to compete effectively depends on various factors, including our product development capabilities, product quality, production capacities and sales network and the successful implementation of our business strategies. We cannot assure you that we will be successful in our promotional efforts to expand or maintain our customer base, or in developing and improving our product assortment, or in achieving consumer acceptance in our new products. 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.

Changes in PRC government policy in relation to the industries in which we or our customers operate may adversely affect our business operations.

Our business operations may be affected significantly from period to period in the future due to changes in PRC government policies. We sell our products to OEM customers and distributors, which sell our products to their customers, which may include retailers using different sales channels at different regions of the PRC. The demand for our products may vary significantly as a result of factors beyond our control, including changes in PRC government policies applicable to the industries in which we and our customers operate. For instance, according to the Regulation on Food Safety, Nutrition and Health Management of School Food* (《學校食品安全與營養健康管理規定》) (the “**Health Regulation**”), which took effect on 1 April 2019, no tuck shop or supermarket could be operated on campuses of kindergartens and primary and secondary schools unless permits are obtained and such tuck shops and supermarkets that are permitted to operate should avoid selling food high in salt, sugar and fat. If it is found that any tuck shop or supermarket is operated on campus of kindergarten and primary and secondary school without permit or any on-campus tuck shop or supermarket is not avoiding the sale of food high in salt, sugar and fat, the relevant kindergarten or primary and secondary school would be subject to administrative penalties under the Health Regulation. For further details of the aforementioned regulation, please refer to the section headed “Regulatory overview — Laws and regulations applicable

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to food production, sale and safety — Licensing system for food production and sale” in this prospectus. According to our PRC Legal Advisers, there is currently no clear definition as to food high in salt, sugar and fat in the PRC. However, such regulation may affect the sales of our distributors to their sub-distributors which sell their products at tuck shops or supermarkets at schools, among other sales channels. It may in turn affect our sales to distributors. Our revenue generated sales to distributors, which sell our products to their sub-distributors reaching various sales channels including tuck shops and supermarkets at school, amounted to approximately RMB69.2 million, RMB83.3 million, RMB138.9 million and RMB90.2 million, representing approximately 19.4%, 21.9%, 33.5% and 37.9% of our total revenue, respectively, for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively. Thus, the sale channels of our distributors or their customers, which on-sell our products on campuses, would be affected and the demand for our products may decline. As a result, our business, financial condition and results of operation may be adversely affected.

We may not be able to introduce new products successfully.

A key to our expansion strategy is to expand and enhance our product offerings through continuous product development. Consumer preferences are dynamic and therefore any new products that we introduce may not be able to meet the particular tastes or requirements of consumers. Our failure to anticipate, identify or react to these particular tastes or preferences could result in reduced demand for our products. At the same time, we cannot assure you that the global confectionary market has the flexibility and willingness to take up our new products. We therefore cannot assure you that the new products we launch would be popular or profitable. This could in turn lead to our inability to recover our research and development, production and marketing costs, thereby materially and adversely affecting our business, results of operations and financial position.

We obtain bank borrowings and our cost of borrowings is subject to the fluctuation in interest rate.

In view of the mismatch between the timing of our payment to suppliers and receipt from customers and in order to maintain the necessary level of working capital to guarantee smooth business operation and support the growth in demand, our Group obtained bank borrowings during the Track Record Period. Each of such bank borrowings was of a term of one year. As at 31 December 2017, 2018 and 2019 and 31 August 2020, our Group had bank borrowings of approximately RMB189.0 million, RMB227.0 million, RMB225.0 million and RMB220.9 million, respectively. These banking facilities were mainly secured by our properties and personal guarantees of our Controlling Shareholders. Our gearing ratio as at 31 December 2017, 2018 and 2019 and 31 August 2020 was approximately 1.1 times, 1.3 times, 1.1 times and 0.9 times, respectively. We cannot assure that we will always be able to obtain the required bank financing in the future or that we would be able to arrange for re-financing when our bank borrowings become due. If we are unable to obtain or renew our banking facilities, our results of operation and financial condition may be materially and adversely affected.

Moreover, our cost of borrowings is subject to fluctuation in interest rate which may also affect our business, financial condition, results of operations and prospects. Our bank borrowings would require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditure and other general corporate purposes. Our gearing ratio could increase our vulnerability to adverse economic or industry conditions, limit our flexibility in planning for, or reacting

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to, changes in our business or in the industry in which we operate. It would also limit our ability to incur additional debt and increase our exposure to interest rate fluctuations. Unexpected increase of effective interest rate would affect our profit margin which in turn adversely affect our financial performance and profitability.

Breach of covenants under banking facilities may result in repayment on demand, which may materially affect our liquidity position.

Our banking facilities contain certain covenants. We cannot assure you that we will not breach any covenants under our loan agreements in the future, or our lending banks will not accelerate the repayment obligations or enforce other remedies against us. If we are required to make early repayment, our liquidity position may be materially and adversely affected. Further, if we fail to fulfil any covenants under any loan agreement, we may not be able to renew or obtain new bank borrowings in the future and our business, results of operations, liquidity and financial position may also be materially and adversely affected.

We may be affected by global and regional trade policies.

We have exported our products to various countries, such as Germany, the Philippines and the United States. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we generated approximately 15.6%, 16.3%, 11.8% and 8.3% of our revenue from our direct export sales to customers in other countries or locations outside the PRC, respectively. For the years ended 31 December 2017, 2018 and 2019, we generated approximately 0.1%, 0.1% and 0.2% of our revenue from our sales to customers in the United States, respectively. For the eight months ended 31 August 2020, there was no sales to customers in the United States.

Government policies favouring domestic companies in certain foreign markets or trade barriers including export or import requirements, higher hygiene standards in relation to food products, tariffs, taxes and other restrictions and charges may adversely affect our ability to export our products to customers in other countries at favourable or reasonable terms or at all. Moreover, any change in the inflation, interest rates, foreign exchange rate, government policies, trade policies, exchange control regulations, food industry laws and regulations, social stability, political, legal, economic and diplomatic environment of the countries in which we or our customers operate, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the countries in which we or our customers operate, as well as our business operation, financial condition and results of our operations.

We may suffer losses from fluctuation in foreign exchanges.

During the Track Record Period, our sales are mainly denominated in RMB and USD while our purchases are mainly denominated in RMB. We recorded foreign exchange gain of approximately RMB0.3 million, RMB6,000 and RMB42,000 for the years ended 31 December 2018 and 2019 and the eight months ended 31 August 2020, respectively, while we recorded foreign exchange loss of approximately RMB1.0 million for the year ended 31 December 2017. Fluctuations in foreign exchange may be caused by various factors and may be unpredictable. We cannot guarantee that we will not suffer any loss on foreign exchanges in the future. Further, we do not have any forward contracts or other

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derivative instruments to manage our foreign exchange risks. In the event that we are unable to manage our foreign currency risks effectively or at all, our business, results of operation and financial condition may be materially and adversely affected.

We may be affected by the economic, political, legal or social uncertainties of the locations to which the products are exported or in which we operate.

Our operations and performance depend significantly on the PRC and global economic, political, legal and social conditions. Uncertainty about the PRC and global economic conditions poses a risk as consumers and businesses may postpone spending in response to credit constraint, rising unemployment rate, financial market volatility, government austerity programmes, negative financial news, declines in income or asset values and/or other factors. These regional and worldwide economic conditions could have a material adverse effect on the demand for our products. Our operations are substantially carried out in the PRC and the economic structure, government policy, legal system, level of development, growth rate and control of foreign exchange of which may differ from time to time. There can be no assurance that in all cases, we will be able to capitalise on the economic reform measures implemented by the PRC government.

Sales of our products are subject to seasonality.

The sales of some of our products are subject to seasonality. Our sales generally experience a significant upsurge ahead of holiday seasons, such as Christmas and Chinese New Year. During the Track Record Period, we experienced higher sales of our products in the fourth and the first quarters of our financial year. We may be exposed to risks associated with seasonal factors and the fluctuation of demand of our products. If there is any adverse change of market conditions or if our operations are disrupted or affected by unpredictable events taking place during the peak season, our business, financial condition and results of operations may be adversely affected.

Failure to maintain optimal inventory levels could cause an interruption to our operation, which could materially and adversely affect our business, financial condition and results of operation.

We believe that maintaining an optimal level of inventory is critical to the success of our business. Such business decision requires our management to exercise a certain degree of judgement and estimate based on their past experience and market sense. As at 31 December 2017, 2018 and 2019 and 31 August 2020, our inventory turnover days were approximately 103.2 days, 104.7 days, 95.6 days and 115.7 days, respectively. We are exposed to inventory risks as a result of various factors beyond our control, including changing trends and consumer needs, uncertainty of the success of our product launches and seasonality. Although we actively supervise the operation of our distribution channel, including our inventory levels, we cannot assure you that we can accurately predict these trends and events to avoid under or over-stocking of inventory. A sudden decrease in the market demand for our products and any unanticipated drop in the sales of our products could cause our inventory of unsold items to be sold at prices below cost or even deteriorate, which in turn may materially and adversely affect our business, financial condition and results of operation.

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Any mechanical failure, disruption in utilities supply, fire outbreak or other calamities at or near our production plants may affect our business operations.

We rely on our production machinery and equipment to achieve mass production of our products. Any mechanical failure or breakdown may materially disrupt our production and cause us to incur additional costs to repair or replace the affected mechanical system. We cannot assure you that our production machinery and equipment will be foolproof, or that we will be able to address any such problems or obtain replacements in a timely manner. Problems with key production machinery and equipment at one or more of our production plants may affect our ability to produce our products or cause us to incur significant expense to repair or replace the affected production machinery or equipment. Any of these may have a material adverse effect on our business, results of operations and financial condition.

The operation of our production facilities depends on stable and continuous supply of utilities such as electricity. Any disruption to the supply of electricity at our production facilities may disrupt our production, or cause deterioration or loss of our inventories or products. This could adversely affect our ability to fulfil our sales orders and consequently may have a material adverse effect on our business, operation results, financial results and our reputation.

Furthermore, we are subject to operational risks, such as interruption by fire, earthquake, floods, hardware and software failure, computer viruses, equipment obsolescence, malfunction or failure, labour disputes, industrial accidents and other events beyond our control which may adversely affect our production. We cannot assure you that the safety measures would be sufficient to prevent any outbreak of fire, damage or losses to our assets in the future. In the event of major damage to our production facilities, we may suffer significant loss and our business, results of operations and financial position may be materially and adversely affected.

We have limited insurance coverage which could expose us to significant costs and business disruption.

We maintain various insurance policies to safeguard against risks and unexpected events. As is customary in our industry, only some of our production facilities, machinery and equipment, and vehicles, among others, are insured. For more details, please refer to the section headed “Business — Insurance” in this prospectus.

Although we believe that the coverage of our existing insurance policies are comprehensive, certain kinds of losses cannot be insured at all or insured at a commercially reasonable cost, and our insurance policies are subject to liability limits and exclusions. We also cannot assure you that we will be able to successfully claim our losses under our current insurance policies on a timely basis. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affect.

In the event of a successful product liability claim against us, we will be liable for damages and may be ordered to suspend or cease production by the relevant government authorities. This may result in negative publicity and our reputation may be adversely affected which could lead to a reduction in sales, cancellation of major contracts or cessation of our business. Any claims by consumers or the

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government that our confectionary products caused injury, illness, or death could have a material adverse effect on our reputation with existing and potential customers and on our business, results of operations and financial position.

We rely on a few key personnel and may not be able to retain their services.

Our growth and success are, to a large extent, attributable to the leadership, vision and the continuous commitment of our founder, our key personnel and senior management. Our Directors believe that the strong leadership of our founder, the solid and extensive experience of our management team, their industry knowledge, in-depth understanding of the market and solid network and good relationship with suppliers, distributors and our other business associates, enable us to improve the quality of confectionary products we manufacture, enhance the sales, and build our reputation. Our future success will depend on the continuous involvement, efforts, performance and abilities of our key personnel and senior management as a whole. However, we cannot assure you that we will be able to retain the services of our key personnel and senior management and continually to tap on their leadership and managerial skills and experience. If we are unable to retain our key personnel or attract and engage a suitable replacement on a timely and commercially viable basis, it may result in the loss of strategic leadership, disruption or delay to business operation, which could have a material adverse effect on our business, operations and financial condition.

Our workers are subject to risks of serious injury caused by the use of machinery, production equipment and tools.

We use machinery and equipment such as boilers, mixers, moulding equipment, coolers and packaging equipment, which are potentially dangerous in our operations. In addition, certain steps of our production processes involve melting of sugar and other raw materials at high temperatures, which could also be dangerous. Any significant accident caused by the use of such equipment or machinery or malfunctions of such equipment or machinery or other reason, could interrupt our operations and result in legal and regulatory liabilities. We may also be subject to business interruptions caused by equipment shutdowns for government investigation or implementation or imposition of safety measures as a result of the accident. In addition, there is no guarantee that the insurance we maintain related to accidents resulting from the use of such equipment or machinery is sufficient to offset losses arising from claims related to such accidents. In such event, our business, results of operations and financial position may be adversely affected.

Delays in delivery by third-party logistics providers may affect our sales and damage our reputation.

We rely on third-party logistics providers for the transportation and delivery of our products to our customers at designated locations. The services provided by these logistics providers could be interrupted and could delay the delivery of our products to customers due to unforeseen events. Delivery disruptions may occur for various reasons beyond our control, including poor handling by logistics providers, transportation bottlenecks, adverse weather conditions and natural disasters, social unrest and labour strikes, which could result in delayed or lost deliveries, and may result in loss of revenue and damage to our reputation and operation. Poor handling by logistics providers could also damage our products. In addition, any significant increase in the cost of transportation, such as increased fuel cost,

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will increase our operating expenses. Any delay or lost deliveries and increase in cost of transportation may result in loss of revenue, payments of compensation to customers and damage to our reputation, and may materially and adversely affect our business, results of operations and financial position.

The government grants and subsidies received by our Group during the Track Record Period were generally non-recurring in nature.

During the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we received certain government grants and subsidies of approximately RMB14.5 million, RMB3.6 million, RMB85,000 and RMB38,000, respectively. These government grants and subsidies were generally non-recurring in nature with no conditions attached thereto and the amounts of these grants and subsidies were subject to the discretions of local governments. There is no assurance our Group will receive such government grants and subsidies for the financial years afterwards and our financial position may be adversely affected if we fail to obtain such government grant and subsidies in the future.

Our business relies on the proper operation of our information technology system, and thus any malfunction, for prolonged periods, could materially and adversely affect our business and results of operations.

Our business relies on the proper operation of our information technology system in order to us to manage, among others, our inventory levels, production plans and sales and billing records. Any failure associated with our information technology system, including those caused by power disruption or loss, malfunctions, computer viruses or hacking or network failures, may cause interruptions in our ability to keep accurate records and maintain proper business operations. Further, we may rely on third party service provider for periodic maintenance and/or system update. Therefore, any malfunction to a particular part of our information technology system may result in a disruption to our business and could materially and adversely affect our business and results of operation.

We may not be able to sustain our past performance if we cannot expand our customer base and increase our sales to existing customers.

In addition to the PRC, our Group has already expanded our customer base to several overseas countries, such as Germany and the Philippines. During the Track Record Period, we generated revenue from sales to customers or locations outside the PRC. Our future growth depends in part on our ability to grow our business in the existing markets as well as new markets. In order to extend the reach of our business model to new consumers and to increase our sales to existing consumers, we may need to devote significant management time and resources on assortment optimisation, marketing efforts and promotional campaigns. These efforts and expenditures may, however, not result in a sufficient increase in our sales to generate profit, which would be detrimental to our ability to successfully grow our business and, accordingly, have a material adverse effect on our business, results of operations and financial condition.

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Our historical financial information may not be indicative of our financial performance in the future.

There is an inherent risk in using the historical financial information of our Group to project or estimate our future financial performance, as such trend of historical financial information is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on, among others, our capability to secure new business opportunities and to control our costs. Our profit margin may also fluctuate from period to period due to factors such as the accuracy of our estimate of costs when determining the price of our products and our pricing strategy. There is no assurance that our profit margin in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margin.

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* (《中國社會保險法》) and the Regulations on Management of Housing Provident Fund of the PRC* (《中國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. Our PRC subsidiaries, failed to make full contribution to the social insurance premium contribution and housing provident funds in a timely manner. We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay during the years ended 31 December 2017, 2018 and 2019 was approximately RMB1.8 million, RMB1.9 million and RMB0.5 million, respectively. As advised by our PRC Legal Advisers, the relevant PRC authorities may order us to pay the outstanding social insurance contributions within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day. If we fail to repay the outstanding social insurance contributions within the prescribed period, we may be subject to a fine of one to three times of the outstanding social insurance contribution. We may also be ordered to pay the outstanding housing provident fund within a prescribed time period. In case we fail to make payments of outstanding housing provident fund contributions prior to the stipulated deadline imposed by the relevant government authorities, we may be subject to an order of relevant people's court to make such payment. For further details, please refer to the section headed "Business — Legal proceedings and compliance — Non-compliance incidents" in this prospectus.

We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the United States government, the United Nations Security Council, the EU and other relevant sanctions authorities.

The United States and other jurisdictions or organisations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries. During the Track Record Period, we generated a small amount of our revenue from the sales and/or deliveries of our products to customers located in the Relevant Countries. Russia, in particular, has been subject to a variety of additional sanctions measures since its actions in Crimea were deemed to be illegal by the governments of many Western governments and governmental organisations, including additional sanctions measures adopted by the United States in 2018. Further, the region of Crimea, which is located in between Russia and Ukraine, is subject to comprehensive international sanctions, and while we did

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not conduct any business transactions in Crimea during the Track Record Period, we sold our products to each of Russia and Ukraine. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, our revenue generated from sales and/or deliveries to the Relevant Countries amounted to approximately RMB5.4 million, RMB6.5 million, RMB0.8 million and nil, representing approximately 1.5%, 1.7%, 0.2% and nil of our total revenue for each of the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively. For the eight months ended 31 August 2020, there was no sales and/or deliveries to the Relevant Countries. Please refer to the section headed “Business — Business activities in countries subject to International Sanctions” in this prospectus for further details.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or the interpretation or implementation of any policy by the EU, the United Nations or the government of Australia or by the governments or agencies of other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. Our business and reputation could be adversely affected if the government of the United States, the EU, the United Nations or any governmental entities were to determine that any of our activities constitute violations of the sanctions they impose. In addition, because sanctions programmes evolve over time, new requirements or restrictions could come into effect which may increase scrutiny on our business activities or result in our business activities being deemed to violate sanctions. We cannot assure you that investors who are subject to the jurisdictions of the United States, the EU, Australia and/or other jurisdictions will be willing to make investments in us, or that they will not divest their investment, which may have an adverse impact on the Global Offering and the future prevailing market price of our Shares. In addition, in the event that any of our customers becomes subject to economic sanctions in the future, we may have to discontinue our business with such customers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

We may incur substantial costs in complying with stringent environmental laws and regulations and resolving relevant risks.

Our production generates sewage and other industrial waste at different stages of production process. As a result, our operations are subject to various environmental laws and regulations and governmental oversight. The environmental laws and regulations impose stringent standards on our handling and disposal of waste and emission of sewage, etc. Moreover, our operations may be subject to further oversight and supervision by local authorities. Therefore, we may face increased costs in efforts to comply with the applicable environmental requirements and standards.

As environmental laws and regulations as well as governmental oversight in the PRC may become more stringent or heightened over time, we cannot assure you that we will be in compliance with these laws and regulations at all times. Any failure to meet the applicable environmental requirements and standards in the future may lead to fines, penalties, sanctions and liabilities as well as substantial costs in connection with remedial measures which may materially and adversely affect our financial condition and results of operations. Shutdown of our operations to curtail pollution may also be ordered by authorities and such actions will result in unexpected business interruptions or suspension of our operations at our production facilities and may lead to significant financial and reputational loss if we cannot find suitable alternatives to fulfil orders in time. It could result in material and adverse impact on our business, financial condition and results of operations.

RISK FACTORS

We may be exposed to credit risks resulting from delays and/or defaults in payments by our customers which would adversely affect our business, financial condition and results of operations.

We generally grant a credit period of up to 180 days to our customers and are therefore subject to credit risks of our customers. Our liquidity depends on our customers making prompt payments to us. For further details, please refer to the section headed “Business — Customers — Payment and credit terms” in this prospectus.

As at 31 December 2017, 2018 and 2019 and 31 August 2020, our trade receivables amounted to approximately RMB78.9 million, RMB89.5 million, RMB105.6 million and RMB94.4 million, respectively. Our average trade receivable turnover days for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020 were 74.2 days, 80.7 days, 86.0 days and 102.6 days, respectively. For further details, please refer to the section headed “Financial information — Selected items of consolidated statements of financial position — Trade receivables” in this prospectus.

If our customers delay or default in their payments to us, we may have to make impairment provisions and write-off the relevant receivables and hence our liquidity may be adversely affected. This may in turn materially and adversely affect our business, financial condition and results of operation.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Amendments of the existing food safety laws and regulations in the PRC may affect our business operations.

Our operations are subject to the food safety laws and regulations of the PRC and other countries to which we export our confectionary products, which set out hygiene, safety and manufacturing standards with respect to food as well as hygiene, safety, packaging and other requirements for food production, production facilities and equipment used for the transportation and sale of food. For example, according to the Food Safety Law 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》), which was promulgated by the State Council on 20 July 2009 and amended on 6 February 2016, we are required to follow more stringent quality control and food safety standards, including, among others:

- food additives may only be used if they are deemed necessary for food production and they must be tested and proven safe in accordance with the risk assessment principles established by the PRC government before they can be used;
- chemicals other than specifically permitted additives and any substance that may harm human health are forbidden in food production process;
- no food product is exempt from inspection by the relevant food safety supervision authority; and
- all food manufacturers will have to suspend production immediately and recall all products from the market if such products are found to have failed to meet the requisite food safety standards. The manufacturers are also required to notify the relevant food producers and traders, as well as consumers of such recall and keep record in this regard.

RISK FACTORS

In addition, we are required to maintain proper production records of our products. Any failure to comply with the Food Safety Law, its implementation regulations or other applicable food safety and hygiene laws and regulations in the PRC may result in fines, suspension of operations, loss of licences and, in more extreme cases, criminal proceedings may be brought against us and our management. These events may have a material adverse impact on our production, business, results of operations and financial condition.

We cannot assure you that the PRC government will not change the existing laws or regulations or adopt additional or more stringent laws or regulations applicable to us and our business operations. Such new laws and regulations may require the re-configuration of our methods for sourcing raw materials, production, processing and transportation, including more onerous food safety, labelling and packaging requirements, more stringent compliance requirement for waste management, increases in transportation costs and greater uncertainty in production and sourcing estimate. Our failure to comply with any applicable laws and regulations could subject us to civil liabilities, including fines, injunctions, product recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our business, results of operations and financial position.

We are required to maintain various licences and permits to operate our business, and the loss of or failure to renew any or all of these licences and permits could materially adversely affect our business operations.

In accordance with PRC laws and regulations, we are required to maintain various licences and permits in order to operate our business including, without limitation, the Food Production Licence (食品生產許可證) and the Food Operation Licence (食品經營許可證). We are required to comply with applicable hygiene and food safety standards in relation to our production processes. Our premises and transportation vehicles are subject to regular inspections by the regulatory authorities for compliance with the Implementation Rules for the Supervision and Administration on the Quality Safety of the Food Manufacturing and Processing Enterprises (Trial)* (《食品生產加工企業質量安全監督管理實施細則(試行)》). Failure to pass these inspections, or the loss of or failure to renew our licences and permits, could require us to temporarily or permanently suspend some or all of our production activities, which could disrupt our operations and adversely affect our business.

The legal system in the PRC embodies uncertainties which could limit the legal protections available to us.

The legal system in the PRC is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. The legal system in the PRC evolves rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies. These uncertainties could limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to food industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

RISK FACTORS

We may be classified as a “resident enterprise in the PRC” for Chinese enterprise income tax purposes, which could result in unfavourable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

According to the EIT Law, and the Implementation Rules of the EIT Law* (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and taking effect from 1 January 2008, an enterprise established outside mainland China whose “*de facto* management body” is located in mainland China is considered a “resident enterprise in the PRC” and will generally be subject to the uniform 25% enterprise income tax rate (the “**EIT rate**”), on its global income. Under the Implementation Rules of the EIT Law, “*de facto* management body” is defined as the organisation body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On 22 April 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》) (the “**Circular 82**”) that 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 mainland Chinese enterprise groups is located within China. Further to the SAT Circular 82, on 27 July 2011, the SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial)* (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) (the “**SAT Bulletin 45**”), to provide more guidance on the implementation of the Circular 82. The SAT Bulletin 45 became effective on 1 September 2011 and was revised on 17 April 2015. The SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities’ procedures.

Under the Circular 82, a foreign enterprise controlled by a mainland Chinese enterprise or mainland Chinese enterprise group is considered a mainland Chinese resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. The SAT Bulletin 45 specifies that when provided with a copy of mainland Chinese tax resident determination certificate from a mainland Chinese-controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the mainland Chinese-controlled offshore incorporated enterprise.

Although the Circular 82 and the SAT Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups, the Circular 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general. If Chinese tax authorities determines that we should be treated as a resident enterprise in China for mainland Chinese enterprise income tax purposes, the 25% mainland Chinese enterprise income tax to be imposed on our global taxable income could materially and adversely affect our ability to satisfy any cash requirements we may have.

RISK FACTORS

Restrictions on the remittance of RMB into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The Chinese government imposes controls on the convertibility of RMB into foreign currencies and the remittance of currency out of China. We receive a considerable portion of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers and payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in China to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under existing Chinese foreign exchange regulations, payments of current account items, including profit distributions, dividend payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The mainland Chinese government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of the PRC.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market of the Shares may not develop.

Prior to the Global Offering, there has been no public market for any of the Shares. The Offer Price for the Offer Shares was the result of negotiations among our Company, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for the Shares following the Global Offering. However, being listed on the Main Board does not guarantee that an active trading market for the Shares will develop following the Global Offering or that the Shares will always be listed and traded on the Main Board. We cannot assure you that an active trading market will develop or be maintained following completion of the Global Offering, or that the market price of the Shares will not fall below the Offer Price.

There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile.

Upon Listing, the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, our revenue, earnings and cash flows and announcements of new services and/or investments, strategic alliances and/or acquisitions, fluctuations in market prices for our services or fluctuations in market prices of comparable companies, changes of our senior management, and general economic conditions. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on us and on the trading volume and market price of the Shares. In addition, it is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our financial or business performance.

RISK FACTORS

There will be a considerable gap of time between the pricing of the Shares/closing of the application lists and the trading of the Shares, further the application period for the Hong Kong Public Offering is longer than the normal market price and the price of the Shares could fall during the period before the trading of the Shares begin.

The Shares will not commence trading on the Stock Exchange until they are delivered and it is expected that there will be a considerable gap of time between the pricing of the Shares/closing of the application lists and the commencement of trading. Further, the application for the Hong Kong Public Offer Shares will commence from Friday, 26 February 2021 through to Friday, 5 March 2021, which is longer than the normal market practice of 3.5 days. Investors may not be able to sell or otherwise deal in the Shares until the commencement of trading and accordingly, holders of the Shares are subject to the risk that the price of their Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Purchasers of the Offer Shares will experience an immediate dilution and may experience further dilution if our Company issues additional Shares or other securities in the future.

Based on the Offer Price, the Offer Price is expected to be higher than the net tangible assets value per Share immediately prior to the Global Offering. Therefore, the purchasers of the Offer Shares will experience an immediate dilution in unaudited pro forma adjusted consolidated net tangible assets value. Please refer to Appendix II to this prospectus for further details. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issue of new equity or equity-linked securities of our Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Future sales by existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares.

The Shares held by the Controlling Shareholders are subject to lock-up beginning on the Listing Date. There is no assurance that the Controlling Shareholders will not further dispose of the Shares held by them. We cannot predict the effect, if any, of any future sales of the Shares by any Substantial Shareholder or Controlling Shareholder, or the availability of the Shares for sale by any Substantial Shareholder or Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any Substantial Shareholder or Controlling Shareholder or the issue of a substantial amount of new Shares by our Company, or the market perception that such sales or issue may occur, could materially and adversely affect the prevailing market price of the Shares.

We cannot assure you as to whether and when we will pay dividends in the future.

No dividend was declared or paid by our Group to the Shareholders of our Company during the Track Record Period. Our Company's ability to pay dividends or make other distributions to the Shareholders is subject to our future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. Our Company may not be able to distribute dividends to the Shareholders as a result of the abovementioned factors.

Accordingly, we cannot assure you as to whether and when we will distribute dividend in the future. We may not be able to record profits and have sufficient funds above its funding requirements, other obligations and business plans to declare dividends to the Shareholders.

RISK FACTORS

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from those in Hong Kong.

The corporate affairs are governed by the Memorandum and Articles of Association and by the Companies Act and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of the Companies Act is set out in Appendix V to this prospectus.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics in this prospectus have not been independently verified.

This prospectus includes certain statistics that have been extracted from the PRC government official sources and publications or other sources. Our Company believes the sources of these statistics are appropriate for such statistics and has taken reasonable care in extracting and reproducing such statistics. Our Company has no reason to believe that such statistics are false or misleading or that any fact has been omitted that would render such statistics false or misleading. These statistics from these sources have not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Manager, the Underwriters, any of their respective directors or any other parties involved in the Global Offering and therefore, our Company makes no representation as to the accuracy or completeness of these statistics, as such these statistics should not be unduly relied upon.

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information.

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

You should read the entire prospectus carefully and information contained in press articles or other media may not be reliable.

Prior to the publication of this prospectus, and possibly subsequent to the date of this prospectus but prior to the completion of the Global Offering, there might have been press articles and/or media coverage regarding our Group and the Global Offering, which might include certain financial information, financial projections and other information about our Group which do not appear in this prospectus. Such information might not be sourced from or authorised by our Group or any other person involved in the Global Offering. Our Group cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any other information.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND COMPANIES (WUMP) ORDINANCE

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong, and this normally means that at least two executive Directors must ordinarily reside in Hong Kong. Given that our business operations are principally located, managed and conducted in the PRC and our Group's head office is situated in the PRC. At present, none of the executive Directors are ordinarily residents in Hong Kong. The senior management team of our Group is and will continue to be based in the PRC to attend to their respective duties. As each of the executive Directors has a vital role in our Group's operations, it is crucial for them to remain in close proximity to our Group's central management located in the PRC. Accordingly, our Company does not, and for the foreseeable future, will not, have a sufficient management presence in Hong Kong, for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. For the reasons set out above, we consider that it would be practically difficult, unduly burdensome and commercially unnecessary for us to appoint two Hong Kong residents as executive Directors or to relocate any of the existing executive Directors to Hong Kong merely for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules, subject to the following conditions to maintain regular and effective communication between the Stock Exchange and us:

1. our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and will ensure that we will comply with the Listing Rules at all times. The two authorised representatives are Mr. Chen Kan, an executive Director, and Mr. Ng Kin Sun, the company secretary of our Company. Mr. Ng Kin Sun is a permanent resident of Hong Kong whereas Mr. Chen Kan possesses valid travel documents to visit Hong Kong. Both of them will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, and a representative of our Company in Hong Kong has been authorised to accept service of legal process and notices in Hong Kong on our behalf;
2. each of the authorised representatives has means to contact the members of the Board (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, we will implement a policy that (a) each Director will provide his office phone number, mobile phone number, email address and fax number to our authorised representatives; (b) each Director will endeavour to provide valid phone numbers, the place of his accommodation or means of communication to the authorised representatives when he expects to travel or is otherwise out of office; and (c) all the Directors and authorised representatives will provide their mobile phone numbers, office phone numbers, email addresses and fax number to the Stock Exchange;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND COMPANIES (WUMP) ORDINANCE

3. meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or the compliance adviser, Lego Corporate Finance Limited (the “**Compliance Adviser**”), appointed by the Company or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in our authorised representatives under the Listing Rules and/or the Compliance Adviser;
4. each Director has confirmed that he possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, if required; and
5. we have appointed the Compliance Adviser pursuant to Rule 3A.19 of the 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 Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Adviser will have access to the authorised representatives, our Directors and other senior management of our Company, and will act as an alternate channel of communication with the Stock Exchange in addition to the authorised representatives. Our Company will ensure that there are adequate and efficient means of communication among itself, its authorised representatives, Directors, other officers and the Compliance Adviser.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WUMP) ORDINANCE

Pursuant to Rule 4.04(1) of the Listing Rules, the accountant’s report contained in this prospectus must include, inter alia, the results of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Pursuant to section 342(1)(b) of the Companies (WUMP) Ordinance, all prospectuses shall include the matters specified in Part I of the Third Schedule to the Companies (WUMP) Ordinance and it sets out the reports specified in Part II of the Third Schedule to the Companies (WUMP) Ordinance.

Pursuant to paragraph 27 of Part I of the Third Schedule to the Companies (WUMP) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

Pursuant to paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance, our Company is required to include in this prospectus a report by our Company’s auditor with respect to profits and losses in respect of each of the three financial years immediately preceding the issue of the prospectus and assets and liabilities of the Company at the last date to which the financial statements of the Company were prepared.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND COMPANIES (WUMP) ORDINANCE

Pursuant to section 342A(1) of the Companies (WUMP) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (WUMP) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The accountant's report for each of the three years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020 has been prepared and is set out in Appendix I to this prospectus.

Pursuant to the relevant requirements set out above, our Company is required to produce three full years of audited accounts for the years ended 31 December 2018, 2019 and 2020. However, an application has been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the conditions that:

- (a) this prospectus will be issued on or before 26 February 2021 and our Company be listed on the Stock Exchange on or before 31 March 2021 (i.e. within three months after the end of the Company's latest financial year immediately preceding the issue of this prospectus);
- (b) we will include in this prospectus a profit estimate for the financial year ended 31 December 2020 in compliance with Rules 11.17 to 11.19 of the Listing Rules and a Directors' statement that, after performing all due diligence work which they consider appropriate, there is no material and adverse change to the financial and trading position or prospects of our Company, with specific reference to the trading results from 1 September 2020 to 31 December 2020; and
- (c) our Company obtains a certificate of exemption from the SFC from strict compliance with the requirements under section 342(1)(b) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance and a certificate of exemption has been granted by the SFC under section 342A(1) of the Companies (WUMP) Ordinance on the conditions that (i) the particulars of the exemption be set out in this prospectus; (ii) this prospectus be issued on or before 26 February 2021; and (iii) our Company be listed on the Stock Exchange on or before 31 March 2021 (i.e. within three months after the end of the Company's latest financial year immediately preceding the issue of this prospectus).

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND COMPANIES (WUMP) ORDINANCE

The applications to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance have been made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interests of the investing public as:

- (a) there would not be sufficient time for our Company and the reporting accountants of our Company (the “**Reporting Accountants**”) to finalise the audited financial statements for the year ended 31 December 2020 for inclusion in this prospectus. If the financial information for the year ended 31 December 2020 is required to be audited, our Company and the Reporting Accountants would have to carry out substantial volume of work to prepare, update and finalise the accountant’s report and the prospectus, and the relevant sections of the prospectus will need to be updated to cover such additional period. This would involve additional time and costs since substantial work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended 31 December 2020 to be finalised in a short period of time. Our Directors consider that the benefits of such work to the existing and prospective shareholders of our Company may not justify the additional work and expenses involved and the delay of the Listing timetable;
- (b) our Directors and the Sole Sponsor herein confirm that after performing all reasonable due diligence work which they consider appropriate, up to the date of prospectus, except to the extent disclosed in the section headed “Summary — Recent development and material adverse changes” in this prospectus, there has been no material adverse change to the financial and trading positions or prospects of our Group since 1 September 2020 (immediately following the date of the latest audited statement of financial position in the accountant’s report set out in Appendix I to this prospectus) up to 31 December 2020 and there has been no event which would materially affect the information shown in the accountant’s report as set out in Appendix I to this prospectus, the financial information section, the profit estimate as set out in Appendix III to this prospectus and information regarding the Company’s recent development subsequent to the Track Record Period and up to the Latest Practicable Date, since 1 September 2020;
- (c) our Company is of the view that the accountant’s report covering the three years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, together with the profit estimate for the year ended 31 December 2020 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in this prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors and the Sole Sponsor confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, trading position, management and prospects included in this prospectus. Further, our Company will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results and annual report for the year ended 31 December 2020. Therefore, the waiver and exemption would not prejudice the interests of the investing public; and

**WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
COMPANIES (WUMP) ORDINANCE**

- (d) our Company will comply with the requirements under Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of our annual results and annual report. Our Company currently expects to issue our annual results and annual report for the financial year ended 31 December 2020 on or before 31 March 2021 and 30 April 2021, respectively. In this regard, our Directors consider that the Shareholders of our Company, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended 31 December 2020.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy 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 there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares 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 in this prospectus is correct as of any subsequent time.

Details 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, and the procedures for applying for the Hong Kong Public Offer Shares are set out in the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Global Coordinators (for themselves or on behalf of the Underwriters) and us. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his/her acquisition of Hong Kong Public Offer Shares to have confirmed, that he/she is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Hong Kong Public Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, 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 authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or 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 business day after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the granting of the listing of and permission to deal in the 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) and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no part of the 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer 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.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 16 March 2021, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 16 March 2021. The Shares will be traded in board lots of 5,000 Shares each, the stock code of the Shares will be 1927.

HONG KONG BRANCH SHARE REGISTER AND THE STAMP DUTY

All the Shares will be registered on the register of members of our Company in Hong Kong to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited. Dealings in the Shares registered in the register of members of our Company maintained by the Hong Kong Branch Share Registrar in Hong Kong will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

STABILISATION AND OVER-ALLOTMENT

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

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set out in the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus and in the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including their respective conditions, and the Over-allotment Option, are set out in the section headed “Structure of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the RMB amounts could actually be, or have been, converted into Hong Kong dollar amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of RMB amounts into Hong Kong dollars have been made at the rate of RMB0.830 to HK\$1.000.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING
--

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Zheng Zhenzhong (鄭振忠先生)	No. 77 Longde Road Quetang, Luoshan County Jinjiang City, Fujian Province PRC	Chinese
Mr. Zheng Guosi (鄭國思先生)	No. 77 Longde Road Quetang, Luoshan County Jinjiang City, Fujian Province PRC	Chinese
Mr. Chen Kan (陳侃先生)	Room 501, Building 2 No. 1 Yucai Road Guanlan Street, Longhua New District Shenzhen, Guangdong Province PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Wang Linan (王禮南先生)	No.1 Bajiao Building Jinjiang City, Fujian Province PRC	Chinese
Mr. Wu Shiming (吳世明先生)	No. 41 Caopu Lane Siming District Xiamen, Fujian Province PRC	Chinese
Mr. Chen Congming (陳聰明先生)	Room 0707, Block 3 Fuxing Road Fupu Community Residential Committee Luoshan Street Office Jinjiang City, Fujian Province PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

SENIOR MANAGEMENT

Name	Residential address	Nationality
Mr. Chen Minfei (陳敏飛先生)	No. 398 Ping An East Road Xukeng, Luoshan Street Jinjiang City Fujian Province PRC	Chinese
Mr. Wang Guojun (王國軍先生)	No. 398 Ping An East Road Xukeng, Luoshan Street Jinjiang City Fujian Province PRC	Chinese
Mr. Pei Huiming (裴慧鳴先生)	No. 398 Ping An East Road Xukeng, Luoshan Street Jinjiang City Fujian Province PRC	Chinese
Ms. Tian Lan (田嵐女士)	Room 203, Block 15 SM Antai World City No. 1 Antai Road, Luoshan Jinjiang City Fujian Province PRC	Chinese

For further information on the backgrounds of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Lego Corporate Finance Limited

A licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Room 1601, 16/F
China Building
29 Queen’s Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Global Coordinators,
Joint Bookrunners and
Joint Lead Managers**

Lego Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO
Room 301, 3/F, China Building
29 Queen's Road Central
Central
Hong Kong

Aristo Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO
Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road, Wanchai
Hong Kong

China Tonghai Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
18/F–19/F, China Building
29 Queen's Road Central
Hong Kong

First Fidelity Capital (International) Limited

A licensed corporation permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
Unit 1405, Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Seazen Resources Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO
Units 4503–07, 45/F, The Center
99 Queen's Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

Brilliant Norton Securities Company Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

Suite 804, 8/F
Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

Fruit Tree Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

Room 1906, 19/F, China Insurance Group Building
141 Des Voeux Road Central
Central
Hong Kong

Grand China Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO

Rm 503, 5/F, Loke Yew Building
50–52 Queen's Road Central
Central
Hong Kong

Kirin Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

Room 3801, 38/F
118 Connaught Road West
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Lee Go Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO
Unit 02, 12/F, West Exchange Tower
322 Des Voeux Road Central
Hong Kong

MTF Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO
Room B, 21/F., Henry Centre
131 Wo Yi Hop Road
Kwai Chung
N.T.
Hong Kong

Realord Asia Pacific Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO
Suite 2402, 24/F, Jardine House
1 Connaught Place
Central
Hong Kong

Yuzhou Financial Holdings Limited

A licensed corporation permitted to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
Unit 5805, 58/F
The Center
99 Queen's Road Central
Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law

Ince & Co

Suites 4404–10, 44th Floor
One Island East
18 Westlands Road
Taikoo Place
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to the PRC Law

Fieldfisher Beijing Law Firm

Unit B0511, Shangdu North Tower
8 Dongdaqiao Road
Chaoyang District
Beijing
PRC

AllBright Law Offices

9, 11&12/F., Shanghai Tower
No. 501 Yincheng Middle Road
Pudong New Area
Shanghai
PRC

As to Cayman Islands law

Ogier

11th Floor, Central Tower
28 Queen's Road Central
Central
Hong Kong

As to International Sanctions law

Hogan Lovells

11th Floor
One Pacific Place
88 Queensway
Hong Kong

**Legal advisers to the Sole Sponsor
and the Underwriters**

As to Hong Kong law

Loeb & Loeb LLP

21st Floor, CCB Tower
3 Connaught Road Central
Hong Kong

As to the PRC law

Tian Yuan Law Firm

10/F, China Pacific Insurance Plaza B
No. 28 Fengsheng Lane
Xicheng District, Beijing
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditors and reporting accountants	HLB Hodgson Impey Cheng Limited <i>Certified Public Accountants</i> 31st floor Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Compliance adviser	Lego Corporate Finance Limited <i>A licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO</i> Room 1601, 16/F China Building 29 Queen's Road Central Central Hong Kong
Industry consultant	Frost & Sullivan Limited 1706, One Exchange Square 8 Connaught Place Hong Kong
Property valuer	Colliers International (Hong Kong) Limited Suite 5701 Central Plaza 18 Harbour Road Wanchai Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	89 Nexus Way Camana Bay Grand Cayman KY1-9009, Cayman Islands
Headquarters and principal place of business in the PRC	No. 398 Ping An East Road Xukeng Industrial Zone Luoshan Street Jinjiang City Fujian Province PRC
Principal place of business in Hong Kong	Suites 4404–10, 44/F One Island East 18 Westlands Road Taikoo Place Hong Kong
Company's website	<u>www.jiujiuwang.com</u> <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Mr. Ng Kin Sun <i>(Certified public accountant in Hong Kong, member of Hong Kong Institute of Certified Public Accountants and fellow member of CPA Australia)</i> Flat B, 33/F, Block 7 Oscar by the Sea 8 Pung Loi Road Tseung Kwan O New Territories Hong Kong
Compliance adviser	Lego Corporate Finance Limited <i>A corporation licenced to carry on type 6 (advising on corporate finance) regulated activity under the SFO</i> Room 1601, 16/F China Building 29 Queen's Road Central Central Hong Kong

CORPORATE INFORMATION

Authorised representatives

Mr. Chen Kan
Room 501, Building 2
No. 1 Yucai Road
Guanlan Street, Longhua New District
Shenzhen, Guangdong Province
PRC

Mr. Ng Kin Sun
Flat B, 33/F, Block 7
8 Pung Loi Road
Oscar by the Sea
Tseung Kwan O
New Territories
Hong Kong

Audit committee

Mr. Wu Shiming (*Chairman*)
Mr. Wang Linan
Mr. Chen Congming

Remuneration committee

Mr. Wang Linan (*Chairman*)
Mr. Zheng Zhenzhong
Mr. Chen Congming

Nomination committee

Mr. Zheng Zhenzhong (*Chairman*)
Mr. Chen Congming
Mr. Wang Linan

Risk management committee

Mr. Wu Shiming (*Chairman*)
Mr. Zheng Zhenzhong
Mr. Wang Linan

**Principal share registrar in the
Cayman Islands**

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

**Principal bankers
(in alphabetical order)**

China Everbright Bank Co., Ltd.
Quanzhou Jinjiang sub-branch
1/F, Aipai Centre
Quan'an Road
Quetang Community
Luoshan Street
Jinjiang City
Fujian Province
PRC

Industrial Bank Co., Ltd.
Jinjiang sub-branch
Industrial Bank Building
No. 271 Chongde Road
Jinjiang City
Fujian Province
PRC

PingAn Bank Co., Ltd.
Quanzhou Jinjiang sub-branch
1/F, Baolong Hotel
No. 1558, Quan'an Central Road
Jinjiang City
Fujian Province
PRC

INDUSTRY OVERVIEW

The information and statistics in this section, unless otherwise indicated, are derived from various private and official governmental publications, publicly available sources and the Frost & Sullivan Report. We believe that the sources of the information in this section are appropriate sources for such information, and has taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, or any other parties involved in the Global Offering (except for Frost & Sullivan) and they do not give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

SOURCE AND RELIABILITY OF INFORMATION

We commissioned Frost & Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on, the sugar confectionary manufacturing market study in the PRC for use in this prospectus. Frost & Sullivan is an independent global consulting firm founded in 1961, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of approximately RMB628,000 and is disclosed with the consent of Frost & Sullivan.

The Frost & Sullivan Report was undertaken through both primary and secondary research obtained from various sources. Primary research included interviews with industry experts and participants in the PRC sugar confectionary manufacturing market. Secondary research involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on Frost & Sullivan's own database. Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment, the overall sugar confectionary manufacturing market and various segment markets in the PRC:

- The PRC's economy is expected to grow at a steady rate supported by favourable government policies as well as global economic recovery, among other factors; and
- The social, economic and political environment of the PRC is likely to remain stable during the forecast period, which will ensure a sustainable and steady development of the sugar confectionary manufacturing market in the PRC.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, the sources of information used in this section, which are extracted from the Frost & Sullivan Report, are reliable and not biased or misleading and there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

OVERVIEW OF MACRO ECONOMIC ENVIRONMENT IN THE PRC

Nominal GDP and GDP Per capita

Over the past years, the Chinese economy has maintained a solid growth pace with effective stimulus policies taken by the Chinese government. From 2014 to 2019, the PRC's nominal GDP had realised a CAGR of approximately 8.1%. Going forward, structural adjustment of the economy is predicted to be pushed forward strongly by the Chinese authorities to improve the quality and efficiency of economic development. Under this trend, the Chinese economy is likely to maintain a sound and healthy development. According to the International Monetary Fund, the Chinese economy is forecasted to keep growing at a CAGR of approximately 8.8% from 2020 to 2024. In line with the fast growth of the PRC's nominal GDP, per capita GDP has also witnessed an increasing trend in the past years, reaching a CAGR of approximately 7.6% from 2014 to 2019. In the future, with the sound growth of the Chinese macro economy, the per capita nominal GDP is also likely to maintain a steady growth. According to the International Monetary Fund, the per capita nominal GDP in the PRC is predicted to reach approximately RMB100,483.7 in 2024, growing at a CAGR of approximately 8.6% from 2020 to 2024.

Per capita annual disposable income of urban household

From 2014 to 2019, in line with the continuous development of national economy, per capita annual disposable income of urban households witnessed an increase from approximately RMB28,800 in 2014 to approximately RMB42,400 in 2019, representing a CAGR of approximately 8.0%. It is projected that with the support from the Chinese government on upgrading economic structure and increasing domestic consumption, per capita annual disposable income of urban households will reach approximately RMB58,600 by 2024, with a CAGR of approximately 7.2%.

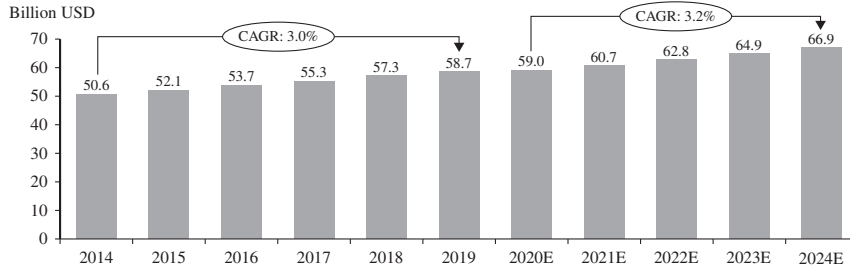
INDUSTRY OVERVIEW

OVERVIEW OF GLOBAL SUGAR CONFECTIONARY RETAIL MARKET

Global market size of sugar confectionary by retail sales value has grown steadily from approximately US\$50.6 billion in 2014 to USD58.7 billion in 2019 at a CAGR of approximately 3.0%. The growth in global sugar confectionary retail sales was primarily attributable to accelerated product innovations, such as hot and spice flavours, and marketing campaigns.

The introduction of sugar-free confectionary and the improvement in distribution are the key drivers of the global sugar confectionaries in the near future. In addition, the growing focus on product innovation and rising trend of gifting sugar confectionary are also expected to stimulate the growth of the overall market. The growing population alongside technological advancements in developing countries are expected to contribute to the growth of the global sugar confectionary market. Global market size of sugar confectionary retail market by sales value is expected to continue growing from approximately USD59.0 billion in 2020 to approximately USD66.9 billion in 2024 at a CAGR of approximately 3.2%.

Market size of sugar confectionary by retail sales value (Global), 2014–2024E

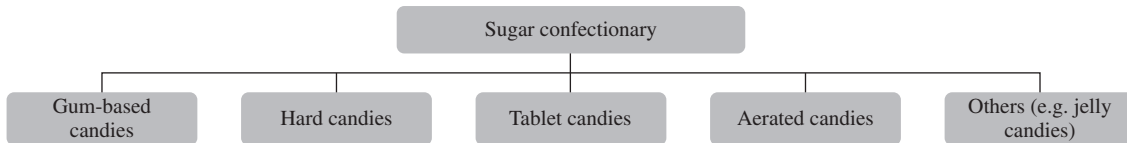


Source: Frost & Sullivan

OVERVIEW OF SUGAR CONFECTIONARY RETAIL MARKET IN THE PRC

Introduction

According to Food and Agriculture Organisation of the United Nations, sugar confectionary refers to a large range of food items, commonly known as sweets. There is a wide variety of sugar confectionary products, such as gum-based candies, hard candies, tablet candies, etc. Sugar confectionary products are sold to customers through food distributors and retailers.



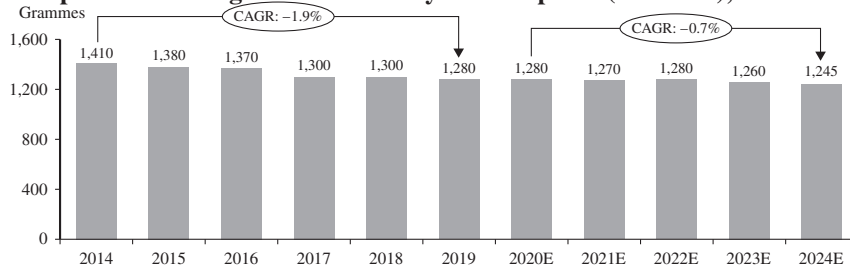
Source: Food and Agriculture Organisation of the United Nations, Frost & Sullivan

Per capita annual sugar confectionary consumption

Through switching to functional food confectionary, per capita annual sugar confectionary consumption in the PRC remained stable at approximately 1,410 grams in 2014 and approximately 1,280 grams in 2019 with a CAGR of approximately -1.9%, attributable to the growing groups of health-conscious consumers.

Given the demand for healthier sugar confectionary is likely to grow over the forecast period, the manufacturers are shifting to the functional ingredients for premium products. Health concerns are expected to contribute to the robust growth of functional sugar confectionary, which offsets the decline in sugar intake. The per capita annual sugar confectionary in the PRC would remain stable and is estimated to decrease at a slower CAGR at approximately -0.7% from 2020 to 2024.

Per capita annual sugar confectionary consumption (the PRC), 2014–2024E



Source: Frost & Sullivan

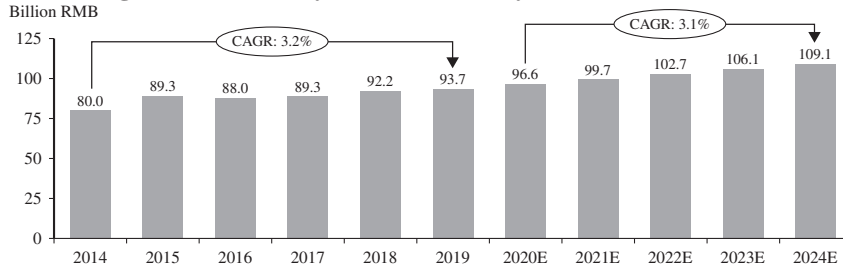
INDUSTRY OVERVIEW

Sales value of sugar confectionary retail market

The sugar confectionary market in the PRC has been expanding steadily and is one of the largest sugar confectionary markets in the world. Despite of the decreasing per capita sugar confectionary consumption, the sugar confectionary retail market in the PRC has been supported by robust economic growth of the PRC which resulted in increasing unit price of sugar confectionary in the PRC. From 2014 to 2019, the market size of sugar confectionary retail market had increased from approximately RMB80.0 billion in 2014 to approximately RMB93.7 billion in 2019, with a CAGR of approximately 3.2%.

The expected growth of the domestic economy and improved quality of living will continue to underpin the development of sugar confectionary retail market in the future. Thus, the market is expected to experience a CAGR of approximately CAGR of approximately 3.1% from 2020 to 2024, reaching approximately RMB109.1 billion by 2024. The sugar confectionary market in the PRC is expected to achieve a steady level of growth as a result of the growing urbanisation and consumers' disposable income.

Market size of sugar confectionary retail market by sales value (the PRC), 2014–2024E



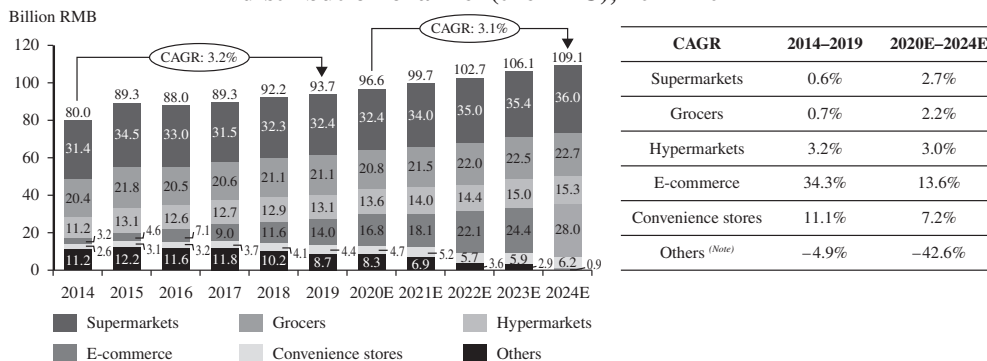
Source: Frost & Sullivan

Sales value by distribution channel of sugar confectionary products

Supermarkets remain the major distribution channels, accounting for approximately 34.6% of the PRC sugar confectionary retail market in 2019, followed by grocers and hypermarkets, accounting for approximately 22.5% and approximately 14% respectively. Deployment of multi-channel strategy is becoming the mainstream among the retailers in the PRC. Integration of physical stores and e-commerce is the rising trend to meet future retail needs and provide customers with better shopping experience. With the fast development of electronic devices and enhanced logistics, the sugar confectionary retail sales value by e-commerce experienced a rapid growth from approximately RMB3.2 billion in 2014 to approximately RMB14.0 billion in 2019, at a CAGR of 34.3%.

Modern distribution channels of sugar confectionary products, such as supermarkets and grocers, remain dominant and it is expected that the sales value of supermarket and grocers will grow at a CAGR of approximately 2.7% and 2.2% respectively by the end of 2024. On the other hand, going forward, the increasing penetration of smartphones and growing prevalence of mobile payments have made online shopping particularly popular. The rising number of internet users would continue to expedite the process of digitalisation of retail business in the PRC. The sugar confectionary retail sales value by e-commerce is forecasted to rise at the CAGR of approximately 13.6% from 2020 to 2024. Due to the increasing popularity of e-commerce and convenience stores, the market for other distribution channels, such as food and beverages retailers, forecourt retailers, and discounters, are expected to diminish in the coming years and resulting in decline of retail sales value of other distribution channels with a negative CAGR of approximately 42.6% from 2020 to 2024.

Market size of sugar confectionary retail market by sales value by distribution channel (the PRC), 2014–2024E



CAGR	2014–2019	2020E–2024E
Supermarkets	0.6%	2.7%
Grocers	0.7%	2.2%
Hypermarkets	3.2%	3.0%
E-commerce	34.3%	13.6%
Convenience stores	11.1%	7.2%
Others ^(Note)	-4.9%	-42.6%

Note: "Others" includes food and beverages retailers, forecourt retailers, and discounters.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

The sugar confectionary retail market in the PRC is relatively fragmented with a number of well-known brands, of which Kiskis, a brand of Gary & Bros Confectionary, is estimated to be one of the top ten largest sugar confectionary brands by retail sales value in the PRC in 2018 and 2019, with market shares increasing from approximately 0.13% in 2016 to approximately 0.32% in 2019.

Market drivers

Booming of e-commerce and enhanced logistics network — E-commerce in the PRC has been rapidly growing recently. In 2018, the sales value of retail e-commerce in the PRC reached approximately RMB12,070 billion, representing a CAGR of approximately 33.9% from 2014 to 2019. E-commerce has greatly enhanced the connectivity between retailers and customers which allows the consumers to access various categories and types of confectioneries on the same e-commerce platform, thus achieving better product promotion and development by enlarging customer base. Accordingly, the booming of e-commerce would further the integration of physical stores and e-commerce and support the growth of other sales channels. On the other hand, the enhanced logistics networks in the PRC have greatly reduced the delivery time, allowing timely delivery of food. As a result, the rapid e-commerce development enables the sugar confectionary to reach broader customer groups, which in turn boosts the sales value.

Increasing disposable income and quality of living — The strong economic growth and increase in per capita disposable income serve as two of the key drivers of the sugar confectionary retail market in the PRC. The increasing living standard has therefore stimulated the consumption of food and beverage accordingly. The per capita urban household expenditure on food and beverages reached approximately RMB7,732.6 in 2019, with a CAGR of approximately 5.2% from 2014 to 2019. Therefore, the expected growth of the economy of the PRC will continue to drive the confectionary market, as well as sugar confectionary.

Government policies on promoting birth rate — With the aim of boosting the number of young age population, the PRC government has abolished the one-child policy and allowed all families to have two children since 1 January 2016. As the major consumer group of sugar confectionary products is younger generation, the expected growth of birth rate and hence rising number of younger generation will directly drive the demand for sugar confectionaries.

Market trends

Diversification of products — The retail sugar confectionary market in the PRC is highly competitive, as the emergence of online e-commerce platform has further intensified the current market competition. On the other hand, the consumption pattern of the consumers in the PRC has been increasingly driven by brand awareness, product quality and packaging design. With the increasing disposable income, consumers in the PRC tend to demand for sugar confectioneries of higher quality and prefer renowned brands which they consider to have higher reliability and production quality. In order to adapt to the ever-changing consumer preferences, the retailers tend to broaden their products portfolios by sourcing different categories and types of sugar confectioneries, such as high-end imported products and functional confectionary. Functional confectioneries are highly preferred as the products can act as a dietary supplement which provides extra nutrition, such as vitamins, minerals and dietary fibre, to consumers. Market players with extensive product range are able to acquire more customers and tap into the market growth.

Rising awareness of healthy diet — Driven by the rising living standard in the PRC, the health awareness of the consumers is increasing. On the other hand, sugar is considered a trigger of weight gain and a cause of negative impact on physical health, consumers tend to consume products with less sugar content. To cater for the market demand, retailers tend to provide products with extra health value, such as sugar-free gum-based products, products with vitamins or other nutrition and all-natural products. In addition, nutrition labels are increasingly printed on the products to increase the transparency of nutritional value and components.

OVERVIEW OF SUGAR CONFECTIONARY MANUFACTURING MARKET IN THE PRC

Value chain analysis

Sugar confectionary manufacturing market is one of the sub-segments of the food manufacturing sector of the PRC. Common production processes of sugar confectionary manufacturing industry include development of product recipe, preparation of ingredients, cooling, shaping and packing of finished products.

The upstream along the sugar confectionary manufacturing market of the PRC mainly consists of local and foreign raw material suppliers. They mainly provide production equipment and ingredients, such as colourings, flavourings and sugar, for manufacturers in the midstream. Manufacturers engage in the preparation and production processes of sugar confectionary and they are mainly responsible for the production process, from raw material mixing, moulding, coating to final product wrapping and packaging.

Established manufacturers usually form a strategic partnership with both upstream and downstream market participants so as to ensure efficient and stable supply of sugar confectionary products from the production line to consumers. Such distribution model is established between manufacturers and distributors due to (i) stable supply of goods from manufacturers, (ii) distributors may resell the products through their own sales network with a wide geographical coverage and (iii) synergy is created between manufacturers and distributors by selling renowned and quality sugar confectionary. In view of the established network and resources of local distributors, it is a common market practice for sugar

INDUSTRY OVERVIEW

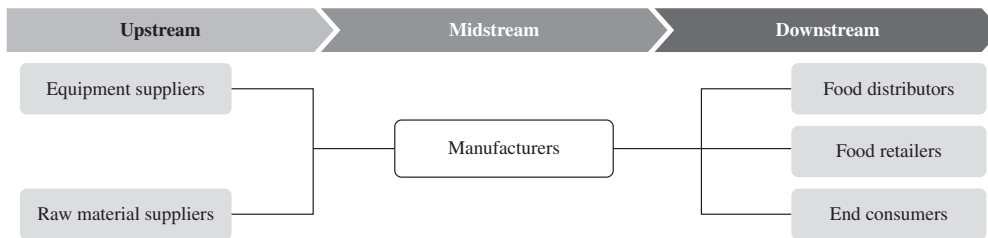
confectionary manufacturers to engage distributors for selling sugar confectionaries of their own brands in the PRC to reach broader customer base. Keeping track on market trends, product development and pricing strategies could be formulated and adjusted from time to time to meet the market demand.

It is common that no long term agreement with minimum purchase requirements is entered between manufacturers and their distributors and OEM customers.

Use of distributors is common in sugar confectionary industry. With extensive distribution and sales network covering the whole PRC market, including first-tier cities, second-tier cities and third-tier cities, sugar confectionary manufacturers are able to reach downstream customers across the country.

Sugar confectionary manufacturers rely on the distributors to put the products into the market due to following benefits:

- With extensive distribution and sales network covering the whole PRC market, including first-tier cities, second-tier cities and third-tier cities, sugar confectionary manufacturers are able to reach downstream customers across the country.
- Distributors are required to make payment for each purchase order before delivery of product, except for credit terms granted. Credit risk is therefore partly shifted from manufacturers to distributors.
- Keep track of the market trends and formulate the sales and marketing strategy accordingly.



 denotes the major business that our Company operates in.

Source: Frost & Sullivan

Export value and volume of sugar confectionary products in the PRC

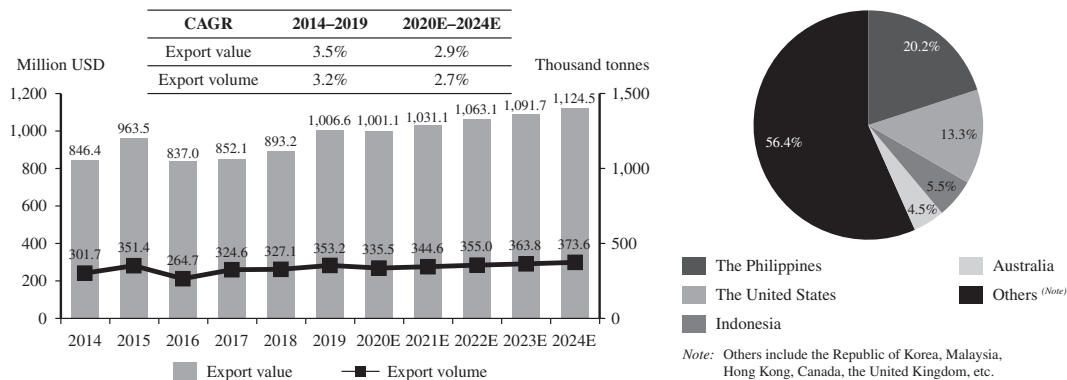
Given that the sugar confectionary manufacturing industry in the PRC has experienced moderate expansion, both the export value and export volume of sugar confectionary from the PRC have increased between 2014 and 2019. The export value of sugar confectionary rose from approximately USD846.4 million in 2014 to approximately USD1,006.6 million in 2019, representing a CAGR of approximately 3.5%. Attributable to the development of global e-commerce, the export value is expected to grow at a CAGR of approximately 2.9%, reaching approximately USD1,124.5 million by the end of 2024.

In terms of export volume, it has shown a similar increasing trend as export value, which increased from approximately 353.2 thousand tonnes between 2014 and 2019, representing a CAGR of approximately 3.2%. In the future years, it is expected that the export volume will attain approximately 373.6 thousand tonnes by the end of 2024, representing a CAGR of approximately 2.7% from 2019 to 2024.

The Philippines was the major export destination of sugar confectionary from the PRC, accounting for approximately 20.2% of the total export volume in 2019, followed by the United States (approximately 13.3%) and Indonesia (approximately 5.5%).

Export value and volume of sugar confectionary (the PRC), 2014–2024E

Breakdown of Export Volume by Destinations, 2019 (%)



Note: Data is extracted from Trade Map under HS Code 1704 Sugar Confectionary not containing cocoa.

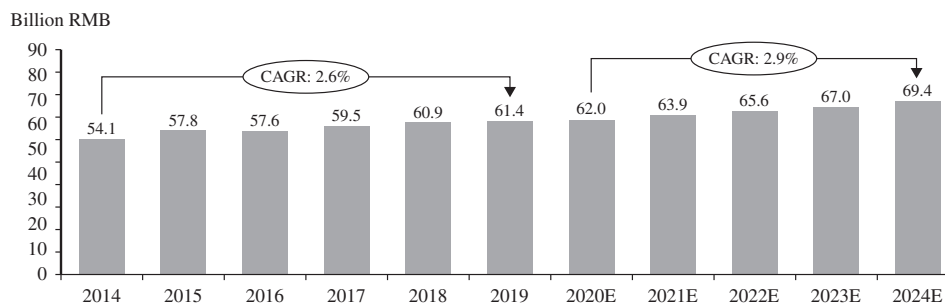
Source: Trade Map, Frost & Sullivan

INDUSTRY OVERVIEW

Market size

Sugar confectionary manufacturing market is one of the sub-segments of the food manufacturing sector of the PRC. Favoured by a higher per capita disposable income of Chinese residents over the recent years and the increasing demand for sugar confectionary products globally, the revenue generated from the sugar confectionary manufacturing market grew from approximately RMB54.1 billion in 2014 to approximately RMB61.4 billion in 2019, with a CAGR of approximately 2.6% over the period. The increasing trend is likely to continue in the upcoming five years, reaching approximately RMB69.4 billion by the end of 2024.

Revenue of sugar confectionary manufacturing (the PRC), 2014–2024E



Source: Frost & Sullivan

Impact of the COVID-19 on Sugar Confectionary Manufacturing in the PRC

Since December 2019, there has been an outbreak of the COVID-19 globally, which is anticipated to bring a short-term impact to the global economy, including the PRC in 2020. According to International Monetary Fund (IMF), the COVID-19 pandemic has pushed the world into a recession. The economic impact of the COVID-19 pandemic is rapidly unfolding, with the near-term outlook deteriorating quickly. This has given a rise to significant fiscal and external financing needs. IMF has lowered the GDP growth forecast of the PRC to approximately 5.6% in 2020, which is 0.4 percentage point lower than predicted in IMF's World Economic Outlook in January 2020.

Certain Chinese provinces and cities, including Shanghai, Guangdong, and Jiangsu, have ordered businesses to only resume operation after 10 February 2020. Due to the outbreak of COVID-19, airlines suspended flights and some countries restricted travel for anyone who had been to the countries, including the PRC, Japan, South Korea and Italy and Iran. In particular, a number of industries, such as tourism, public transportation, food and beverage, manufacturing and logistics, are adversely affected. It also leads to the disruption of the global supply chain as a large number of manufacturers in the PRC have temporarily suspended or limited operations, as well as the reduction in distribution and retail sector, resulting in cancellation of sales contracts and shipping contracts. The workers are not able to work at the moment subsequent to the travel restrictions across cities or imposition of isolation measures imposed by the central government. With the removal of road blocks and check points in the PRC, The manufacturing and export activities in the PRC has resumed accordingly.

It is noted that the increasing public awareness and social distancing measures, have been proved to be effective in combating COVID-19. It is of the view of Frost & Sullivan that the COVID-19 would be effectively controlled in the long run. The global economy including most of the PRC is expected to recover in the 2021.

There are no signs or further information that the negative implications of the COVID-19 on the Chinese economy will be long-lived, and the economic fundamentals in the PRC are solid enough to withstand its blow. It is forecasted that the sugar confectionary manufacturing and distribution would fully resume after the COVID-19 is controlled. As such, the macroeconomic environment, consumer consumption and market demand for sugar confectionary are not expected to be materially affected by the COVID-19 in the PRC. Frost & Sullivan also remained positive to the growth of sugar confectionary manufacturing in the PRC.

The retail sales value, including sugar confectionery, generally recorded a decline in the first half of 2020 comparing with the same period in 2019 primarily due to the disruption of business operations and logistics arrangements of regional distributors and the temporary closure of stores caused by the COVID-19 outbreak. Consumption sentiment had been improved in the second half of 2020 as the outbreak of the COVID-19 is under control in the PRC. Although the outbreak of the COVID-19 has affected the consumption patterns of consumers as they will be more cautious on spending during such period due to the uncertainties of market economy in the future, the change of consumers' shopping habits upon a major health event is temporary and that the negative impact of the COVID-19 pandemic on sugar confectionery products, of which fall under the category of snacks and food, will be less significant when comparing with other products, for instance luxurious products. On the other hand, the resumption of express delivery

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services and operation of retail channels facilitate the recovery of the retail sales market in the PRC. The retail market recorded a rebound in the second quarter, with total retail revenue of consumption goods in the PRC increasing from approximately RMB7,858.0 billion in first quarter to approximately RMB9,367.7 billion in second quarter of 2020. The total retail sales of consumer goods in the PRC reached RMB39,198.1 billion in 2020, with an annual growth rate of approximately -4.8%. Therefore, it is expected that the sales value of sugar confectionery in the second half of 2020 would be higher than the first half of 2020 in the PRC.

Market drivers

Expansion in number of target consumers — One of the major customer groups of sugar confectionery products is most likely juveniles under the age of 14. In the past five years, the population aged under 14 in the PRC increased from approximately 225.6 million in 2014 to approximately 234.9 million in 2019, representing a CAGR of approximately 0.8%. Complemented by a large and increasing population of target consumers as a result of the relaxation of birth control in the PRC, the domestic demand for sugar confectionery products has increased and ultimately promoted the growth of the PRC sugar confectionery manufacturing market.

Higher acceptance of e-commerce — In line with the rapid internet development in the PRC, e-commerce has been one of the growing merchandising strategies adopted by business enterprises as it integrates both online and offline businesses, and provides a dynamic and seamless process to both manufacturers and customers. In addition, the online platform translates into an alternative sales channel and has enabled merchandisers to reach international customers and most of the leading sugar confectionery manufacturers have already established e-commerce channel in the form of flagship store to promote their brands and boost sales. Therefore, the prevalence of online retailing in the PRC serves as an impetus to the sugar confectionery market in the PRC.

Favourable government policy towards manufacturing industry — In view of promoting product innovation and the development of industrial automation, the PRC government has encouraged manufacturing enterprises to actively invest in research and development processes outlined in the 13th Five-year Plan for the National Economic and Social Development of the PRC. Particularly in the sugar confectionery manufacturing industry of the PRC, new flavours and healthier options, such as reduced sugar content by replacing sugar with sweeteners and addition of vitamins in products, are more common to consumers. Besides, the implementation of Food Safety Law has enhanced the safety requirements of consumer food products, which resulted in higher industry standards among food manufacturing industry. It has raised the residents' confidence in local-manufactured food products and fostered the demand for food products made in the PRC. Accordingly, the supportive government measures and policies highlighted in the 13th Five-year Plan for the National Economic and Social Development of the PRC have bolstered the growth of sugar confectionery manufacturing market over the recent years.

Market opportunities

Sustaining product development and innovation — The improved living standards and increased product exposure in the PRC have led to higher expectations of sugar confectionery products among Chinese residents. Over the recent years, consumers in the PRC have demonstrated a stronger preference towards healthier food options and the shift in preferences has resulted in potential business opportunities for manufacturers to develop a wider variety of product lines. For example, some manufacturers have created sugar confectionery products with vitamins and sugar substitutes to provide a healthier option for consumers. In particular, the higher degree of customisation of sugar confectionery products has also attracted health-conscious consumers, such as people with diabetes and those on diets who are able to consume sugar confectionery products made by sugar substitute. As a result, manufacturers with strong innovation and product development capability to cater for consumers' needs are more likely to attract new customers, maintain their market presence and substantiate themselves from market competition.

Market challenges

Rising labour and raw material costs — The average wage of workers engaged in urban manufacturing sector and the raw material prices have significantly increased over the past five years. It has exerted as a burden to market participants and those who are unable to employ effective business strategies to control their cost are likely to suffer from lost in competitiveness when compared to their counterparts. Hence, the rising costs have imposed an impact over the sugar confectionery manufacturing industry in the PRC.

Enhancing health concerns — Sugar confectionery products are often associated with negative health effects, such as obesity, tooth decay and diabetes. The rising health awareness among Chinese residents may lead to a reduction in sugar confectionery products consumption, which may adversely affect the market demand. Therefore, manufacturers have to invest sufficient resources to develop new healthier recipes to overcome the general concerns of public.

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Price range of sugar confectionary products

The selling price of confectionary products varies based on various factors, including specifications of each product (such as ingredients requirements and packaging requirements), market positioning and order size. Moreover, if the production involves complicated production process and requires higher skill level, the selling price of confectionary products would be affected.

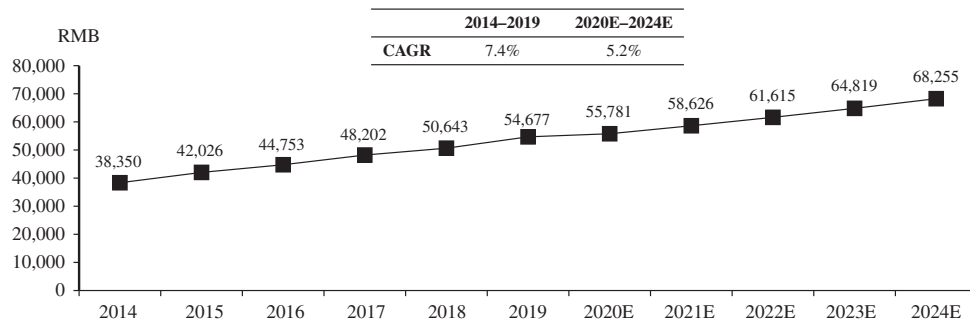
Category of sugar confectionary product	Range of average ex-factory selling price in the PRC in 2019 (RMB/kg)
Gum-based candies	20–400
Tablet candies	39–1,050
Aerated candies	20–1,000
Hard candies	18–659

Source: Frost & Sullivan

Cost structure analysis

Labour cost — Attributable to the high demand for workers and raised minimum wage level, the average annual wage of employed persons in urban areas in manufacturing industry in the PRC has increased from approximately RMB38,350 in 2014 to approximately RMB54,677 in 2019, representing a CAGR of approximately 7.4%. Besides, driven by strong economic performance in the PRC, the average annual wage of employed persons in urban areas of manufacturing industry in the PRC is estimated to grow at a CAGR of approximately 5.2% from 2019 and reach approximately RMB68,255 in 2024.

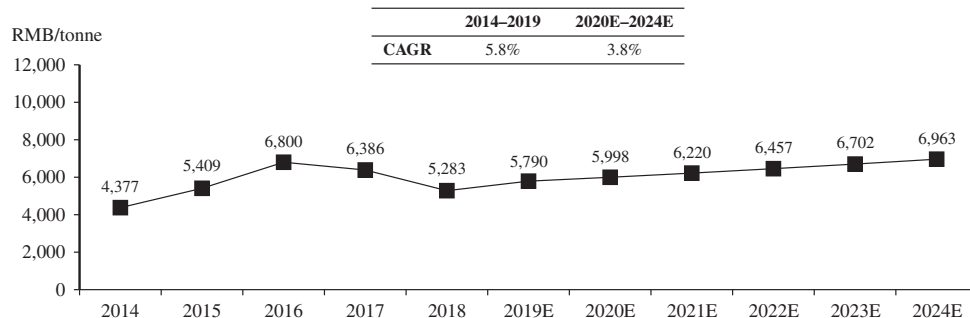
Average Annual Wage of Employed Persons in Urban Areas in Manufacturing Industry (the PRC), 2014–2024E



Source: National Bureau of Statistics of China, Frost & Sullivan

Raw material cost — Owing to the unstable supply of sugar in the PRC and increasing demand for sugar confectionaries, the selling price of sugar has increased from approximately RMB4,377 per tonne in 2014 to approximately RMB5,790 per tonne in 2019, representing a CAGR of approximately 5.8% over the period. By the end of 2024, the selling price is expected to grow at a CAGR of approximately 3.8%, reaching approximately RMB6,963 per tonne.

Selling price of sugar (the PRC), 2014–2024E



Source: China Sugar Association, Frost & Sullivan

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF SUGAR CONFECTIONARY MANUFACTURING MARKET IN THE PRC

The sugar confectionary manufacturing market in the PRC is highly fragmented with more than 1,000 market participants of which a large number are small-scale manufacturers. A number of international sugar confectionary brands have established production facilities in the PRC to ensure better quality and to meet local market demand. With extensive distribution network and brand recognition, the international market participants replicate the success of business model and industry practice in the PRC. The market, in general, is fragmented with a large number of local manufactures. As estimated, the aggregate market share of the top five market participants in sugar confectionary manufacturing market in the PRC in 2019 was approximately 33.1%. Our Group recorded a revenue of approximately RMB0.41 billion in 2019, accounting for a market share of approximately 0.7% in the overall sugar confectionary market in the PRC in 2019.

Rank	Market participant	Year of establishment	Business scope	Major products	Market coverage	Estimated revenue (Billion RMB)	Market share
1	Company B	1989	Manufacturing and sales of products	Chewing gum, hard candies, bubble gum, and lollipops	The PRC and overseas	6.0	9.8%
2	Company A	1997	Manufacturing and sales of products	Candies, pastries, baked goods, cocoa products	The PRC and overseas	5.5	9.0%
3	Company C	1992	Manufacturing, distribution and sales of products	Rice crackers, dairy products and beverages, and snack foods	The PRC, Taiwan, Japan, Hong Kong and Singapore	3.7	6.0%
4	Company D	1994	Manufacturing, distribution and sales of products	Chewing gum, bubble gum, fruit sugar, toffee products, lollipops products, and other confectionary products	The PRC and overseas	3.3	5.4%
5	Company E	1993	Manufacturing and distribution of products	Toffees, vitamin candies, herb candies, hard candies, fruit toffees, gummy candies	The PRC and overseas	1.9	3.1%
Sub-total						20.3	33.1%

Notes: The revenue is estimated based on results on secondary research and interviews with market participants conducted by Frost & Sullivan

Source: Frost & Sullivan

Remark:

- Company A is one of the leading local confectionary product companies in the PRC which produces and sells various types of confectionary products such as candies, pastries, baked goods and cocoa products.
- Company B is a subsidiary of an American confectionary manufacturer, principally engages in producing chewing gum, hard candies, bubble gum and lollipops.
- Company C is a Hong Kong listed company engaging in manufacturing and sales of rice crackers, daily products and beverages and snack food.
- Company D founded in 1994 and based in Shanghai, is a subsidiary of an Italian-held confectionary and gum manufacturer. It mainly produces confections and gum, oral-care, and breath and wellness products in the PRC.
- Company E is a Jinjiang-based company engaging in manufacture and distribution of candies and chewing gums worldwide. Its products include toffees, vitamin candies, chocolates, milk candies, herb candies, hard candies, fruit toffees and gummy candies. It is founded in 1993 and operates a factory with over 40,000 metre squares and 2,000 workers.

Fujian province is the major manufacturing base of sugar confectionary in the PRC. In 2019, the revenue of sugar confectionary manufacturing in Fujian Province amounts to approximately RMB15,350 million, accounting for approximately 25% of market share in the PRC. The sugar confectionary manufacturing market in Fujian province is relatively fragmented with around 500 market participants. As Fujian province is one of the major cane sugar manufacturing base in the PRC, Fujian has a long established history of sugar confectionary manufacturing. As such, the majority of market participants in Fujian province are Chinese local sugar confectionary manufacturers with more than 10 years of establishment and development. As estimated, the aggregate market share of the top five market participants in sugar confectionary manufacturing market in Fujian province in 2019 was approximately 18.0%. Our Group recorded a revenue of approximately RMB414.1 million in 2019, accounting for a market share of approximately 2.7% in the overall sugar confectionary market in Fujian province in 2019.

Leading sugar confectionary manufacturers (Fujian Province), 2019

Rank	Market participant	Year of establishment	Business scope	Major products	Market coverage	Estimated revenue (Million RMB)	Market share
1	Company E	1993	Manufacturing and distribution of products	Toffees, vitamin candies, chocolates, milk candies, herb candies, hard candies, fruit toffees, gummy candies	The PRC and overseas	1,850.4	12.1%
2	<i>Our Company</i>	1999	Manufacturing, distribution and sales of products	Gum-based candies, tablet candies, aerated candies and hard candies	The PRC and overseas	414.1	2.7%
3	Company F	2005	Manufacturing of products	Yogurt drinks, gum-based products, jelly candies and lollipops	The PRC and overseas	291.7	1.9%
4	Company G	2000	Manufacturing and sales of products	Jelly products, including jelly snacks and jelly beverages	The PRC and overseas	105.8	0.7%
5	Company H	1999	Manufacturing and sales of products	Candies and baked products	The PRC	100.0	0.7%
Subtotal						2,761.9	18.0%

INDUSTRY OVERVIEW

Note: The revenue is estimated based on results on secondary research and interviews with market participants conducted by Frost & Sullivan

Source: Frost & Sullivan

Remark:

- (1) Company F is a local pastries, beverages and sugar confectionary manufacturer located in Fujian province. It is founded in 2005 with over 5,000 workers.
- (2) Company G is a China-based company listed in Hong Kong and principally engages in the manufacturing and sales of snack products, covering jelly products, confectionary products, beverages products and other snacks products in the PRC. Their products are sold under their core brand and/or its sub-brands. It is founded in 2004 with 693 distributors, over 8,000 distribution outlets and over 30,000 retail terminals in the PRC, covering 31 provinces as at 31 December 2019. As at 31 December 2019, it had approximately 1,490 employees and its employees are mostly based in the PRC. For the year ended 31 December 2018, it recorded a revenue of approximately RMB466.6 million and gross profit of RMB139.0 million. The gross profit margin grew from 25.5% for the year ended 31 December 2018 to 29.8% for the year ended 31 December 2019.
- (3) Company H is a sugar confectionary manufacturer with a registered capital of approximately RMB3.4 million. It is founded in 1999 and operates a factory with over 60,000 metre squares.

Factors of market competition

Brand recognition — Brand recognition is a common competition factor among manufacturers in the sugar confectionary manufacturing market in the PRC since it allows customers to easily identify the manufacturing brand from its visual packages of the products. The sugar confectionary manufacturers in the PRC generally have their self-owned brands to promote brand recognition. Brand recognition is associated with quality of products, success of marketing and promotion activities, which are crucial for expanding customer base and enhancing customer loyalty. As a result, market participants with high brand recognition stand a better chance to capture business opportunities and outperform their competitors in the market.

Quality and differentiation of products — Sugar confectionary often comes in a wide variety of products of different flavours and textures, such as gum-based candies, hard candies, tablet candies, etc. Competent market participants are required to keep abreast of market trends and demand of different products, and to allocate sufficient resources to ensure product quality and safety. Additionally, some market participants regularly launch new sugar confectionary products of new flavours and shapes during special occasions in order to attract new customers and differentiate themselves from their competitors. Therefore, the quality and types of products offered by sugar confectionary manufacturers serve as one of the key success factors for market participants to remain competitive in the market.

Distribution channel — In the interest of enhancing market presence and competitiveness, some sugar confectionary manufacturers have expanded their business operations from regional level to national level. Some successful manufacturers are also capable of exporting their sugar confectionary products overseas to build their brand reputation and develop new distribution channels, such as online sales. The manufacturers ultimately enjoy economies of scale as they have established a greater scale of business operation and raise their competitiveness among their industry peers. Accordingly, market participants which are able to organise a broad distribution channel are more likely to succeed in the market.

Entry barriers

Research and development capabilities — Existing sugar confectionary manufacturers in the PRC have already undergone extensive research and development processes to understand the consumers' preferences on their products so as to innovate and launch new products with different flavours to meet the market demand. It has also allowed them to leverage their breadth of technical expertise in product development and tailor their products to local tastes. In contrast, new market entrants without prior industry experiences and research and development capabilities, may compromise their overall competitiveness in product marketing and development, which may adversely affect their product portfolio diversity and response to the market needs.

High capital investment — Sufficient capital and resources are required for the operation of sugar confectionary manufacturing business in the PRC as it involves a substantial amount of upfront investment in purchase of manufacturing equipment, labour recruitment and training, and raw materials procurement. Therefore, new market entrants that are unable to invest adequate capital resources in sugar confectionary manufacturing business may find it difficult to enter the market and become less competitive than existing market participants in the PRC.

Stringent licensing requirement — According to the Food Safety Law, all food manufacturing companies are required to obtain a food production licence from the PRC government. New sugar confectionary manufacturers may be required to invest a large amount of resources to fulfil the licensing requirement in order to obtain the licence and they are also required to maintain a satisfactory manufacturing environment so as to renew the licence every five years. Besides, new market entrants are required to comply with the Food Hygiene Law of the PRC and take sufficient clean and protective measures to prevent their products from food contamination. Such regulatory requirement may exert an operational pressure to new market entrants from entering the PRC sugar confectionary manufacturing market.

COMPETITIVE ADVANTAGES OF OUR GROUP

Please refer to the section headed “Business — Our competitive strengths” in this prospectus for a detailed discussion of our Group's competitive strengths.

REGULATORY OVERVIEW

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, which was adopted by the SCNPC on 29 December 1993 and with effect from 1 July 1994. It was last amended on 26 October 2018 and with effect from the same day. Under the PRC Company Law, companies are generally classified into two categories — limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC* (《中華人民共和國外資企業法》) (the “**WFOE Law**”), which was promulgated on 12 April 1986 and last amended on 3 September 2016 and abolished on 1 January 2020 and the Implementation Rules to the Wholly Foreign-owned Enterprise Law* (《中華人民共和國外資企業法實施細則》), which was promulgated on 12 December 1990 and last amended on 19 February 2014 and abolished on 1 January 2020. Pursuant to the latest amendment of the WFOE Law, the establishment and change of a wholly foreign-owned enterprise which does not involve the implementation of special market entry administrative measures prescribed by the State shall be subject to record-filing management. The special market entry administrative measures prescribed by the State shall be promulgated by or promulgated upon approval by the State Council.

The Interim Measure for Filing Administration of the Establishment and Modifications of Foreign Invested Enterprises* (《外商投資企業設立及變更備案管理辦法》) was issued by the MOFCOM on 8 October 2016 and last amended on 29 June 2018 and became effective on 30 June 2018, under which the establishment and changes of foreign invested enterprises not subject to the approval under the special entry management measures shall be filed with the relevant commerce authorities.

On 30 December 2019, the MOFCOM and the State Administration for Market Regulation 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 1 January 2020 and replaced the Interim Measure for Filing Administration of the Establishment and Modifications of Foreign Invested Enterprises 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.

The Catalogue of Industries for Guiding Foreign Investment

The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019 Edition) (《外商投資准入特別管理措施(負面清單) (2019年版)》), the “**Negative List (2019 Edition)**”) and the Catalogue of Industries for Encouraging Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄(2019年版)》), the “**Encouraging Catalogue (2019 Edition)**”) were jointly promulgated by the NDRC and the MOFCOM on 30 June 2019 and became effective on 30 July 2019. 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 “**Negative List (2020 Edition)**”) was jointly

REGULATORY OVERVIEW

promulgated by the NDRC and the MOFCOM on 23 June 2020, which came into effect on 23 July 2020 and replaced the Negative List (2019 Edition). The Negative List (2020 Edition) and the Encouraging Catalogue (2019 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 (2020 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. The sugar confectionary manufacturing industry, in which the Group operates, is not an industry listed in the Negative List (2020 Edition). As advised by the PRC Legal Advisers, the sugar confectionary manufacturing industry is open to foreign investment.

Foreign Investment Law

The National People's Congress approved the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) on 15 March 2019, which took effect on 1 January 2020 and replaced three existing laws on foreign investments in China, namely, the Sino-foreign Equity Joint Ventures Law of the PRC* (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Ventures Law of the PRC* (《中華人民共和國中外合作經營企業法》) and the WOFE Law.

According to the Foreign Investment Law, “foreign investment” refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or otherwise organisations of a foreign country within China, including the following situations: (i) a foreign investor, individually or collectively with other investors, establishes a foreign invested enterprise within China; (ii) a foreign investor acquires shares, equities, shares in assets, or other like rights and interests of a domestic enterprise within China; (iii) a foreign investor, individually or collectively with other investors, invests in a new project within China; and (iv) investments by other means as provided by laws, administrative regulations, or the State Council.

According to the Foreign Investment Law, the State Council will publish or approve to publish a catalogue of special administrative measures, or the “negative list.” The Foreign Investment Law grants national treatment to foreign invested entities, except for those operating in industries deemed to be either “restricted” or “prohibited” in the “negative list”. The Foreign Investment Law provides that foreign invested entities operating in foreign restricted industries will need to apply for approvals from relevant PRC governmental authorities. Furthermore, the Foreign Investment Law provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure for five years after the implementing of the Foreign Investment Law. In addition, the Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue securities like stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation of the investment of foreign investors is prohibited; forced technology transfer is prohibited; and the capital contributions, profits, capital gains, proceeds out of asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received

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upon settlement by foreign investors within China, may be freely remitted inward and outward in RMB or a foreign currency. Foreign investors or foreign investment enterprise would also be ordered to rectify or imposed a fine for failing to report investment information in accordance with the requirements.

LAWS AND REGULATIONS APPLICABLE TO FOOD PRODUCTION, SALE AND SAFETY

Licensing system for food production and sale

Pursuant to the Food Safety Law, which was promulgated by the SCNPC on 28 February 2009, and last amended on 29 December 2018 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 20 July 2009 and amended on 6 February 2016 and 26 March 2019, with effect from 1 December 2019, the state adopts a licensing system for food production and sale. To engage in food production, food sale and catering services, a licence 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) (the “**AQSIQ**”) on 7 April 2010, took effect from 1 June 2010, and was last amended on 2 January 2020 with effect from 1 March 2020 the validity term for a food production licence is five years. If the enterprise that has the food production licence needs to extend the validity term of its legally obtained food production licence, it shall file an application for replacement of the licence with the original licensing authority within 30 working days prior to the expiry of the validity term of the food production licence. If the extension is approved, the licence number of the food production licence shall remain unchanged. Where no application is filed for extension of the licence upon expiry of the validity term, the original licensing authority shall conduct the cancellation procedures of the food production licence.

On 20 February 2019, the PRC Ministry of Education, the PRC State Administration for Market Regulation, and the PRC National Health Commission promulgated the Regulation on Food Safety, Nutrition and Health Management of School Food* (《學校食品安全與營養健康管理規定》) (the “**Health Regulation**”), which became effective on 1 April 2019. The Health Regulation provides that no tuck shop or supermarket could be operated on campuses of kindergartens and primary and secondary schools unless permits are obtained and such tuck shops and supermarkets licenced should avoid selling food high in salt, sugar and fat (“**HSSF Food**”). However, it is not a “prohibition”. Tuck shops or supermarkets with permission can be operated on campuses. In addition, there are currently no laws and regulations in the PRC stipulating the definition of HSSF Food. If it is found that any tuck shop or supermarket is operated on campus of kindergartens and primary and secondary schools without permit or any on-campus tuck shop or supermarket is not avoiding the sale of food high in salt, sugar and fat, the relevant kindergarten or primary and secondary school would be subject to administrative penalties under the Health Regulation.

Personnel health management system

In accordance with the Food Safety Law as well as the Implementing Rules on 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

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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 licences 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.

Based on the Measures for the Administration of Food Production Licensing which was issued by the China Food and Drug Administration on 31 August 2015, the code of a food production licence is combined of “SC” (abbreviation of Chinese Pinyin for “production”) and 14 digits of Arabic numbers.

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 licence; 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.

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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 China Food and Drug Administration on 11 March 2015 and entered into force on 1 September 2015, and last amended on 23 October 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》) (the “**Foreign Trade Law**”), which was promulgated by the SCNPC on 12 May 1994, and was last amended on 7 November 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 authorised 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

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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.

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) (the “MOH”) on 30 March 2010 and amended on 26 December 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 catalogue announced by the National Health and Family Planning Commission (now known as “National Health Commission of the PRC”, hereinafter referred to as “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 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.

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 22 February 1993 and last amended on 29 December 2018 with effect from the same day.

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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 licence 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 29 June 2002, taking effect from 1 November 2002 and amended on 27 August 2009 and 31 August 2014, 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 specialised 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.

Pursuant to the Law of the PRC on the Safety of Special Equipment* (《特種設備安全法》), which was promulgated by the SCNPC on 29 June 2013 and took effect from 1 January 2014, and the Regulations on Safety Supervision of Special Equipment* (《特種設備安全監察條例》), which was promulgated by the State Council on 11 March 2003, took effect from 1 June 2003, and was amended on 14 January 2009 with effect from 1 May 2009, “special equipment” refers to boilers, pressure vessels (including gas cylinders, same below), pressure pipelines, elevators, cranes, passenger ropeways, large amusement facilities, on-site (in-factory) motor vehicles and other special equipment which pose high risks to personal and property safety. Prior to the putting-into-service of any special equipment or within 30 days after such putting-into-service, units using special equipment shall register with competent departments for safety supervision and administration of special equipment. The registration mark shall be placed or attached to a prominent position of the special equipment. Furthermore, operators and the relevant managerial staff of boilers, pressure vessels, elevators, cranes, passenger ropeways, large amusement devices and on-site (in-factory) motor vehicles shall not engage in corresponding operation or management until they have passed the examination organised by the departments for safety supervision and administration of special equipment as required by the State and acquired certificates for operators of special equipment with a nationally unified formula.

Importation and exportation of goods

According to the Circular of the Ministry of Commerce on Relevant Issues Concerning the Record Keeping and Registration of the Right to Foreign Trade by Foreign-funded Enterprises* (《商務部關於外商投資企業外貿權備案登記有關問題的通知》), which was promulgated and with effect from 17 August 2004, where foreign-funded enterprises duly established before 1 July 2004 apply for the addition of any

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import/export business to their approved scope of business, they must, in accordance with the Measures for the Record-keeping and Registration by Foreign Trade Dealers* (《對外貿易經營者備案登記辦法》), complete the formalities of adding business items to the enterprises' business licences and shall, in accordance with the relevant procedures, complete the formalities of record-keeping and registration (note: no formalities of change are required in regard to the approval certificate for its establishment) on the strength of the approval certificate for its establishment, business licence with the business addition made, and any other documents as required under the Measures for the Record-keeping and Registration by Foreign Trade Dealers. The registration authorities shall affix a stamp indicating "business of distribution of import goods excluded" on the registration form. Pursuant to the Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration Entities* (《中華人民共和國海關報關單位註冊登記管理規定》) which was promulgated on 13 March 2014 with effect from the promulgate date and last amended on 29 May 2018 with effect from 1 July 2018, "consignor or consignee of export or import goods" means any legal person, other organisation or individual that directly imports or exports goods within the territory of the PRC. Consignors or consignees of import or export goods shall go through registration formalities with their local Customs authorities in accordance with the applicable provisions. After going through the registration formalities with customs authorities, consignors or consignees of import or export goods may handle their own declarations at any customs port or any other places where customs supervisory affairs are concentrated within the customs territory of the PRC.

LAWS AND REGULATIONS APPLICABLE TO TAXATION

Enterprise Income tax

According to the EIT Law and the Implementation Rules of the EIT Law, the income tax for both domestic and foreign-owned enterprises is at the same rate of 25% effective from 1 January 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 realised 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* (《營業稅改徵增值稅試點方案》) issued jointly by the MOF and the SAT on 16 November 2011 and with effect from 16 November 2011, the pilot program shall be initiated on 1 January 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

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transportation industry and the construction industry, and the tax rate of 6% shall be applicable to other modern service industries. Up to 1 August 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稅暫行條例》) which was promulgated by the State Council on 13 December 1993 and last amended on 19 November 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稅暫行條例實施細則》) which was promulgated by the MOF on 25 December 1993, came into effect on 1 January 1994, and was last amended on 28 October 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、稅務總局關於調整增值稅稅率的通知》) promulgated on 4 April 2018 and taking effect from 1 May 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* (《關於深化增值稅改革有關政策的通知》), which was promulgated on 20 March 2019 and became effective on 1 April 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 behaviours 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)* (《國家稅務總局關於印發《出口貨物退(免)稅管理辦法(試行)》的通知》) (the “**Measures**”) was adopted by the SAT on 16 March 2005, came into force on 1 May 2005 and was partially amended on 15 June 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.

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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稅法》) was issued by the SCNPC on 25 December 2016 and took into effect from 1 January 2018, and was amended and became effective on 26 October 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 of the PRC (中華人民共和國國務院) on 29 January 1996, took effect from 1 April 1996 and was amended on 14 January 1997 and 5 August 2008. Under the Foreign Exchange Control 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 30 March 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 1 June 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

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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.

In June 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardising 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.

SAFE issued the Circular 37 on 4 July 2014, which replaced the former circular commonly known as the “SAFE Circular 75”. Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing using their assets or interests in domestic enterprises or offshore assets or interests, referred to in Circular 37 as a “special purpose vehicle”. Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfil the Registration, the PRC subsidiaries of that special purpose vehicle may be prohibited 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 19 November 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 17 December 2012 and was amended on 10 October 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 realisation 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.

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On 13 February 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 1 June 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 (hereinafter collectively referred to as “**direct investment-related foreign exchange registration**”) are cancelled 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 cancelled and registration of existing equity shall be adopted instead.

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》) on 21 August 2006 (the “**Arrangement**”). 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* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT and took effect from 20 February 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* (《非居民納稅人享受協定待遇管理辦法》) (the “**Administrative Measures**”) which was promulgated by the SAT on 14 October 2019 and became effective on 1 January 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.

From the period between 1 October 2009 and 1 November 2015, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favourable tax benefits under the Taxation Treaties, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favourable tax treatments provided in the Taxation Treaties.

REGULATORY OVERVIEW

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 31 October 1993, took effect from 1 January 1994 and was amended on 27 August 2009 and 25 October 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 licence will be revoked. Criminal liability may be incurred in serious cases.

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 2 September 1993, took effect from 1 December 1993 and was amended on 4 November 2017 and 23 April 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 recognised 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 29 December 1997 and took effect from 1 May 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

REGULATORY OVERVIEW

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 licence. 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 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 7 September 1990 and last revised on 11 November 2020. 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.

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 23 August 1982 and last revised on 23 April 2019 with effect from 1 November 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 authorisation 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》) (the “**Patent Law**”) promulgated by the SCNPC on 12 March 1984 and last amended on 17 October 2020 and with effect from 1 June 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

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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 colours with shapes or patterns, which creates aesthetics 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 24 August 2017 and became effective from 1 November 2017, a domain name shall mean the alphanumeric identifiers on the Internet that identify and locate the hierarchical structures of a computer, and corresponds to the IP address of the said computer. 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. After completing the domain name registration, the validity period of the permit for domain name root server operating organisations, domain name registration management organisations and domain name registration service organisations shall be five years.

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 26 December 1989 and last amended on 24 April 2014 and with effect from 1 January 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 gases, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation and other hazards it produces. The State implements the pollution discharge licence management system. Enterprises, public institutions and other producers and operators that implement the pollution discharge licence management shall discharge pollutants according to the requirements of the pollution discharge licence; those failing to obtain the pollution discharge licence 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 11 May 1984 and was newly amended on 27 June 2017 and with effect from 1 January 2018, the State adopts licence 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 licence for pollutant discharge directly or indirectly into a water body shall obtain licence for pollutant discharge. The specific measures and implementation procedures of the licence 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 5 September 1987, and last revised on 26 October 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.

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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 29 October 1996 and last amended on 29 December 2018 with effect from the same day, the industrial noise emitted to surrounding neighbourhood 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 30 October 1995 and last amended on 29 April 2020 with effect from 1 September 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 29 November 1998, and was newly amended on 16 July 2017 and became effective on 1 October 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 Ministry of Environmental Protection (the “MEP”) on 10 January 2018 and amended on 22 August 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 catalogue (released by the MEP) of pollutant discharge licensing for stationary pollution sources shall apply for and obtain a pollutant discharge licence within the prescribed time limit; pollutant discharging entities not included in the said catalogue are not required to apply for a pollutant discharge licence temporarily.

LAWS AND REGULATIONS APPLICABLE TO EMPLOYMENT AND SOCIAL WELFARE

Labour 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 29 June 2007 and with effect from 1 January 2008, amended on 28 December 2012 and with effect from 1 July 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

REGULATORY OVERVIEW

Council and became effective on 18 September 2008, a written labour contract should be concluded to establish a labour relationship. If a written labour contract is not signed when establishing a labour 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.

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 28 October 2010, took effect from 1 July 2011 and was amended on 29 December 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 3 April 1999, and was last amended on 24 March 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 centre 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 centre 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 centre 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.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR HISTORY

General

Our Company is an investment holding company incorporated in the Cayman Islands on 21 February 2017, and as part of the Reorganisation, became the holding company of our Group. For more details of the Reorganisation, please refer to the paragraph headed “Reorganisation” in this section.

Our history

The history of our Group can be traced back to July 1999 when Mr. Zheng Zhenzhong together with his nephew, Mr. Zheng Mingya, established Jiujiuwang Food, which is the principal operating subsidiary of our Group, in the PRC, with a view to manufacturing high quality confectionary products at affordable price to bring joy and happiness to children. Under the leadership of Mr. Zheng Zhenzhong, we successfully developed our own brands of confectionary products, sold our confectionary products to overseas countries on an OEM basis and expanded the market presence of our products in different regions in the PRC.

In 2010, Mr. Zheng Mingya disposed all of his interest in Jiujiuwang Food to Mr. Zheng Guodian, his cousin and the son of Mr. Zheng Zhenzhong, to pursue his other business commitment. At the same time, Mr. Zheng Zhenzhong transferred part of his interest in Jiujiuwang Food to his sons, Mr. Zheng Guosi and Mr. Zheng Guodian. Since then, our Group has been under the ownership of Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian.

Mr. Zheng Zhenzhong has accumulated more than 26 years of experience in the confectionary industry in the PRC. For further information about the background and working experience of Mr. Zheng Zhenzhong, please refer to the section headed “Directors and senior management — Executive Directors” in this prospectus.

Business milestones

The milestone events in our development history are set out below:

- 1999 ● Jiujiuwang Food was established and we commenced production of chewing gum and bubble gum under our very first brand “Jiujiuwang (久久王)” in our old production base in Jinjiang City.
- 2002 ● Jiujiuwang Food was accredited the China Market Accredited Brand of Health Food* (中國市場放心健康食品信譽保證品牌) by China Association for Technical Supervision Information* (中國技術監督情報協會食品專業委員會).
- 2003 ● Jiujiuwang Food commenced production under “Coolsa (酷莎)” brand.
 - We commenced the production and sale of breath fresheners products in the PRC.
- 2005 ● Jiujiuwang Food commenced production of our products with the use of Xylitol as a sugar substitute.

HISTORY, DEVELOPMENT AND REORGANISATION

- Jiujiuwang Food was awarded ISO 9001 Quality Management System Certificate, ISO 14001 Environmental Management Systems Certificate and ISO 22000 Food Safety Management System Certificate.
- 2006
- Jiujiuwang Food was accredited the Leading Enterprise of Quality Food in Fujian* (福建省優秀龍頭食品企業) by the Food Industry Association of Fujian Province* (福建省食品工業協會).
 - Jiujiuwang Food was accredited the Model Unit of Food Safety of China* (全國食品安全示範單位) by the Annual Organising Committee of the China Food Safety* (中國食品安全年會組委會).
- 2009
- Our production base was moved to Jinjiang Xukeng Development Zone, a site with area over 117,000 sq.m..
 - We added new production lines to produce lollipops, aerated candies, gum-based candies and bubble gum and introduced the centre-filled bubble gum making machine from Italy.
- 2011
- Jiujiuwang Food was accredited the Leading Enterprise of National Food Industry of 2010–2011* (2010–2011年度全國食品工業優秀龍頭食品企業) by the China National Food Industry Association* (中國食品工業協會).
- 2012
- We began exporting our products to overseas countries on an OEM basis.
- 2013
- We launched our own flagship online store on Tmall.com to strengthen our brand awareness and expand our sales channels.
- 2016
- Jiujiuwang Food was accredited the Outstanding Enterprise* (優秀企業) by the China National Candy Association* (中國食品工業協會糖果專業委員會).
 - Jiujiuwang Food received the accreditation of “Three Same (Same Production Line, Same Standard, Same Quality) Quality Certification for Food Import and Export Enterprise* (食品進出口企業“三同”(同線同標同質)資質認證)” from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局).

OUR CORPORATE DEVELOPMENT

Members of our Group

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2017 with an initial authorised share capital of US\$50,000 divided into 500,000 Shares with a par value of US\$0.1 each. Following completion of our Reorganisation, we have four subsidiaries, namely, Junwo, Coolsa Food, Jiujiuwang Food and Jiujiuwang Co, and our Company became the holding company of our Group with our business primarily conducted by Jiujiuwang Food.

HISTORY, DEVELOPMENT AND REORGANISATION

As at the Latest Practicable Date, our Company was owned as to approximately 29.1% by Jianeng, approximately 33.95% by Xiejia, approximately 33.95% by Haisen and approximately 3% by APOC. Immediately upon completion of the Capitalisation and the Global Offering, it is expected that the interest of Jianeng, Xiejia, Haisen and APOC will decrease to approximately 21.82%, 25.46%, 25.46% and 2.25%, respectively. By virtue of the acting in concert arrangement among Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian, each of them, together with their respective solely owned investment holding company, is our Controlling Shareholder upon Listing. For details regarding the shareholding interests of our Controlling Shareholders, please refer to the section headed “Substantial Shareholders” in this prospectus.

Junwo

Junwo was incorporated in Hong Kong as a limited liability company on 24 May 2017. Since its incorporation and up to the Latest Practicable Date, 10,000 shares have been issued and allotted to our Company, and Junwo has been wholly and beneficially owned by our Company since its incorporation.

Coolsa Food

Coolsa Food was established in the PRC as a limited liability company on 10 April 2017 with a registered capital of RMB5,000,000 and commenced business in April 2019. Coolsa Food is principally engaged in marketing. At the time of its establishment, Coolsa Food was owned as to 65% by Mr. Zheng Zhenzhong and 35% by Mr. Zheng Guodian. Upon completion of the Reorganisation, Coolsa Food is wholly owned by Junwo. For details regarding the transfer of the equity interest in Coolsa Food, please refer to the paragraph headed “Reorganisation” in this section.

Jiujiuwang Food

In July 1999, Jiujiuwang Food, which was initially named Fujian Jinjiang Jiujiuwang Food Industry Co. Ltd.* (福建省晉江市久久王食品工業有限公司), was established under the laws of PRC with limited liability with an initial registered capital of RMB5,000,000 and was owned as to 80% by Mr. Zheng Zhenzhong and 20% by Mr. Zheng Mingya.

In April 2004, the registered capital of Jiujiuwang Food was increased from RMB5,000,000 to RMB30,000,000. The additional registered capital of Jiujiuwang Food was fully contributed by Mr. Zheng Zhenzhong and Mr. Zheng Mingya, in proportion to their respective equity interests. The capital injection of a total of RMB25,000,000 was made partly in cash and partly by contributing fixed assets.

In April 2004, Jiujiuwang Food changed its name from Fujian Jinjiang Jiujiuwang Food Industry Co. Ltd.* (福建省晉江市久久王食品工業有限公司) to Fujian Jiujiuwang Food Industry Co. Ltd.* (福建久久王食品工業有限公司).

In March 2005, the registered capital of Jiujiuwang Food was further increased from RMB30,000,000 to RMB80,000,000. The additional registered capital of Jiujiuwang Food was fully contributed by Mr. Zheng Zhenzhong and Mr. Zheng Mingya in proportion to their respective equity interests. The capital injection of a total of RMB50,000,000 was made partly in cash and partly by contributing fixed assets.

HISTORY, DEVELOPMENT AND REORGANISATION

On 22 January 2010, Mr. Zheng Zhenzhong transferred 35% and 15% equity interest in Jiujiuwang Food to his sons, Mr. Zheng Guosi and Mr. Zheng Guodian, respectively, at nil consideration. On the same date, Mr. Zheng Mingya transferred his 20% equity interest in Jiujiuwang Food to Mr. Zheng Guodian at nil consideration. Subsequent to the said transfers, Jiujiuwang Food was owned as to 30% by Mr. Zheng Zhenzhong, 35% by Mr. Zheng Guosi and 35% by Mr. Zheng Guodian. There was no subsequent change in the shareholding structure of Jiujiuwang Food until the Reorganisation.

Our PRC Legal Advisers have confirmed that all relevant material approvals and permits in respect of the aforesaid transfer of equity interest were obtained and the procedures and steps involved were in compliance with relevant PRC laws and regulations.

Jiujiuwang Co

Jiujiuwang Co, which was initially named as Jiujiuwang Corporation Limited* (久久王股份有限公司), was established in the PRC initially as a joint stock company on 25 November 2014 with an initial registered share capital of RMB100,000,000 divided into 100,000,000 shares. Jiujiuwang Co has not carried out any business activities since its incorporation. At the time of its establishment, Jiujiuwang Co was owned as to 20% by Mr. Zheng Zhenzhong, 40% by Mr. Zheng Guosi and 40% by Mr. Zheng Guodian.

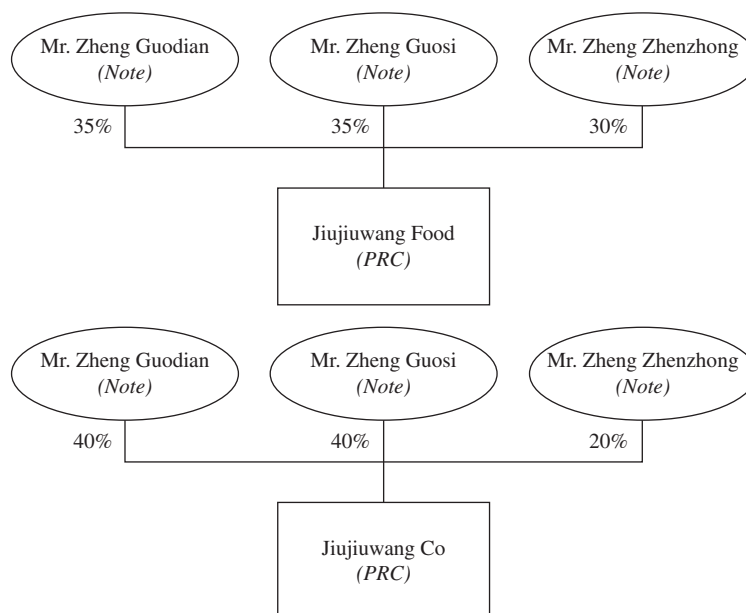
On 15 December 2016, Jiujiuwang Co was converted into a limited liability company under the PRC Company Law and renamed as Jiujiuwang Co., Ltd.* (久久王有限公司).

Pursuant to the Reorganisation, Jiujiuwang Co became an indirect wholly-owned subsidiary of our Company on 4 January 2019. Please refer to the paragraph headed “Reorganisation — 10. Acquisition of Jiujiuwang Co by Jiujiuwang Food” in this section for details.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

In preparation of the Listing, the companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. Immediately prior to the Reorganisation, our Group comprised two members, namely Jiujiuwang Food and Jiujiuwang Co. Set out below is the corporate structure of our Group immediately before the Reorganisation:



Note: Mr. Zheng Zhenzhong is the father of Mr. Zheng Guosi and Mr. Zheng Guodian, and Mr. Zheng Guosi is the elder brother of Mr. Zheng Guodian. By virtue of the Concert Parties Confirmatory Deed, each of Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian is deemed to be a Controlling Shareholder.

1. Establishment of offshore companies

Incorporation of Haisen, Jianeng and Xiejia

Pursuant to the Reorganisation, the following offshore holding companies were incorporated:

Haisen

- Haisen was incorporated in the BVI with limited liability on 14 November 2016 with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1 each. On the same date, 50,000 fully-paid shares were issued and allotted to Mr. Zheng Guodian. Upon completion of such issue and allotment, it was solely owned by Mr. Zheng Guodian.

Jianeng

- Jianeng was incorporated in the BVI with limited liability on 14 November 2016 with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1 each. On the same date, 50,000 fully-paid shares were issued and allotted to Mr. Zheng Zhenzhong. Upon completion of such issue and allotment, it was solely owned by Mr. Zheng Zhenzhong.

HISTORY, DEVELOPMENT AND REORGANISATION

Xiejia

- Xiejia was incorporated in the BVI with limited liability on 16 November 2017 with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1 each. On the same date, 50,000 fully-paid shares were issued and allotted to Mr. Zheng Guosi. Upon completion of such issue and allotment, it was solely owned by Mr. Zheng Guosi.

2. Incorporation of our Company, subsequent issue and allotment of Shares to Jianeng, Haisen and Xiejia

On 21 February 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial authorised share capital of our Company was US\$50,000 divided into 500,000 Shares with a par value of US\$0.1 each.

On the same date, one initial Share of US\$0.1 was issued and allotted to Sertus Nominees (Cayman) Limited, the initial subscriber, which then transferred such Share to Jianeng, the investment holding vehicle solely owned by Mr. Zheng Zhenzhong on the same date.

On the same date, our Company issued and allotted 149,999 and 175,000 Shares at par value to Jianeng, which is solely owned by Mr. Zheng Zhenzhong, and Haisen, which is solely owned by Mr. Zheng Guodian, respectively.

On 17 November 2017, our Company further issued and allotted 175,000 Shares at par value, representing 35% of the enlarged issued share capital of our Company, to Xiejia, which is solely owned by Mr. Zheng Guosi.

After the aforesaid issue and allotment of Shares, our Company was owned as to 30% by Jianeng, 35% by Xiejia and 35% by Haisen.

As part of our Reorganisation, our Company subsequently further increased its authorised share capital to US\$51,546.4. On 5 October 2018, our Company issued and allotted 15,464 Shares, credited as fully paid, to APOC. Upon completion of the aforesaid allotment of Shares, our Company was owned as to approximately 29.1% by Jianeng, approximately 33.95% by Xiejia, approximately 33.95% by Haisen and approximately 3% by APOC. For further details, please refer to the paragraph headed “Reorganisation — 7. Subscription of Shares by APOC” in this section.

3. Incorporation of Junwo

On 24 May 2017, Junwo was incorporated in Hong Kong with limited liability with a share capital of HK\$10,000 divided into 10,000 shares. On the same date, 10,000 shares were issued and allotted to our Company, following which Junwo became a direct wholly-owned subsidiary of our Company.

4. Establishment of Coolsa Food

On 10 April 2017, Coolsa Food was established under the laws of PRC with limited liability with a registered capital of RMB5,000,000, and was owned as to 65% by Mr. Zheng Zhenzhong and 35% by Mr. Zheng Guodian.

HISTORY, DEVELOPMENT AND REORGANISATION

On 20 November 2017, Mr. Zheng Zhenzhong transferred 35% equity interest in Coolsa Food to Mr. Zheng Guosi at nil consideration. Our PRC Legal Advisers have confirmed that such transaction was properly and legally completed on 4 December 2017.

Upon completion of the aforesaid transfer, Coolsa Food was owned as to 30% by Mr. Zheng Zhenzhong, 35% by Mr. Zheng Guodian and 35% by Mr. Zheng Guosi.

5. Acquisition of 3% equity interest in Coolsa Food by APOC HK

On 12 January 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with APOC HK, an Independent Third Party and a passive investor, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred 0.9%, 1.05% and 1.05% equity interest in Coolsa Food to APOC HK at a consideration of RMB45,000, RMB52,500 and RMB52,500 respectively, which were determined with reference to the appraised net asset value of Coolsa Food as at 30 June 2017. The considerations were settled on 17 April 2018.

APOC HK is a company incorporated in Hong Kong with limited liabilities and wholly owned by APOC, a company incorporated in the BVI with limited liabilities, which is in turn solely owned by Mr. Lee, as a passive investor.

Our PRC Legal Advisers have confirmed that such transactions were properly and legally completed on 31 January 2018. Upon completion of the aforesaid acquisition, Coolsa Food became a sino-foreign joint venture enterprise and was owned as to 29.1% by Mr. Zheng Zhenzhong, 33.95% by Mr. Zheng Guodian, 33.95% by Mr. Zheng Guosi and 3% by APOC HK.

6. Acquisition of 97% equity interest in Coolsa Food by Junwo from Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi

On 14 September 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Junwo, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Coolsa Food to Junwo at a consideration of RMB1,455,000, RMB1,697,500 and RMB1,697,500 respectively determined with reference to the then net asset value of Coolsa Food. The considerations were settled on 29 December 2018. Our PRC Legal Advisers have confirmed that such transactions were properly and legally completed on 14 September 2018. Upon completion of the aforesaid transfers on 14 September 2018, Coolsa Food was owned as to 97% by Junwo and 3% by APOC HK.

7. Subscription of Shares by APOC

On 5 October 2018, APOC entered into the Investment Agreement with our Company, Jianeng, Haisen and Xiejia, pursuant to which our Company increased its authorised share capital from US\$50,000 to US\$51,546.4 by the creation of 15,464 Shares and issued and allotted the same at a par value of US\$0.1 each, credited as fully paid, to APOC, representing approximately 3% of the enlarged issued share capital of our Company at a consideration of RMB4,000,000, which was determined with reference to the historical financial results of our Group. This transaction was subject to the satisfaction of two conditions subsequent, namely (i) the transfer of 3% equity interest in Coolsa Food held by APOC HK to Junwo at a consideration of RMB150,000; and (ii) the acquisition of 100% equity interest

HISTORY, DEVELOPMENT AND REORGANISATION

in Jiujiuwang Food by Coolsa Food. For details, please refer to the paragraph headed “Pre-IPO Investment” in this section. Upon completion of the aforesaid allotment of Shares, our Company was owned as to approximately 29.1% by Jianeng, approximately 33.95% by Xiejia, approximately 33.95% by Haisen and approximately 3% by APOC.

8. Acquisition of 3% equity interest in Coolsa Food by Junwo from APOC HK

On 5 October 2018, for the purpose of fulfilling the condition subsequent (i) mentioned above, APOC HK transferred all of its equity interest in Coolsa Food, i.e. 3%, to Junwo at a consideration of RMB150,000, which was determined with reference to the capital contribution by APOC HK in Coolsa Food. The consideration was settled on 2 March 2019. Our PRC Legal Advisers have confirmed that such transaction was properly and legally completed on 17 October 2018.

Upon completion of the aforesaid transfer, Coolsa Food was owned by Junwo as to 100% and became a wholly-owned subsidiary of our Company.

9. Acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food

On 22 October 2018, for the purpose of fulfilling the condition subsequent (ii) mentioned in the paragraph headed “7. Subscription of Shares by APOC” in this section, being the acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Coolsa Food, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Jiujiuwang Food to Coolsa Food at a consideration of RMB24,000,000, RMB28,000,000 and RMB28,000,000 respectively determined with reference to their respective capital contribution in Jiujiuwang Food. Jiujiuwang Food declared dividend of RMB80.0 million to Coolsa Food on 28 December 2018, and such intra-group dividend was paid to Coolsa Food in several instalments on 29 December 2018, 3 January 2019 and 4 January 2019. Coolsa Food in turn settled the considerations to Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian on 29 December 2018, 3 January 2019 and 4 January 2019, respectively.

Our PRC Legal Advisers have confirmed that such transactions were properly and legally completed on 25 October 2018. Upon completion of the aforesaid acquisition, Jiujiuwang Food became a wholly-owned subsidiary of Coolsa Food.

10. Acquisition of Jiujiuwang Co by Jiujiuwang Food

On 29 December 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Jiujiuwang Food, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Jiujiuwang Co, i.e. 20%, 40% and 40%, to Jiujiuwang Food at nil consideration.

Our PRC Legal Advisers have confirmed that such transactions were properly and legally completed on 4 January 2019. Upon completion of the aforesaid acquisition, Jiujiuwang Co became a wholly-owned subsidiary of Jiujiuwang Food.

HISTORY, DEVELOPMENT AND REORGANISATION

PRE-IPO INVESTMENT

On 5 October 2018, our Company, Jianeng, Haisen, Xiejia and APOC entered into the Investment Agreement, pursuant to which APOC agreed to subscribe for and our Company agreed to allot and issued 15,464 Shares of US\$0.1 each in our Company, representing approximately 3% of the then issued share capital of our Company before completion of the Reorganisation as enlarged by the allotment and issue of the Subscription Shares (as defined below) pursuant to the Investment Agreement. The transaction was properly and legally completed on 7 December 2018. Save for the Investment Agreement, there is no other agreement, side agreement or undertaking made between our Group and the Pre-IPO Investor. The key terms and particulars of the Investment Agreement are set out below:

Name of the Pre-IPO Investor	: APOC Holdings Limited (the “ Pre-IPO Investor ”)
Date of Investment Agreement	: 5 October 2018
Amount of consideration paid	: RMB4,000,000
Payment date of the consideration	: 7 December 2018
Number of shares issued by our Company	: 15,464 Shares at a par value of US\$0.1 each (the “ Subscription Shares ”)
Total number of shares to be held by the Pre-IPO Investor after the Capitalisation Issue and upon Listing	: 17,820,092 Shares
Cost per Share paid by the Pre-IPO Investor upon Listing	: Approximately HK\$0.27 per Share
Discount to Offer Price	: Approximately 61.43%, assuming the Offer Price is HK\$0.70 per share, being the mid-point of the Offer Price range
Use of proceeds from the Pre-IPO Investment	: Principally for operation of our business and for use as our general working capital and payment of Listing expenses. As at the Latest Practicable Date, the net proceeds from the Pre-IPO Investor had been fully utilised as intended.
Special rights	: No special rights are granted.
Shareholding in our Company upon Listing	: Approximately 2.25%
Background of the Pre-IPO Investor	: APOC is an investment holding company and is solely owned by Mr. Lee.

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Strategic benefits from the Pre-IPO Investment	: (i) Provide additional capital to our Group and widen our shareholder base;
	(ii) as Mr. Lee has extensive experience in investing in listed and unlisted companies, our Directors believe that we could benefit from the commitment of the Pre-IPO Investor to our Group and the Pre-IPO Investor's investments demonstrate its confidence in our operations and serve as an endorsement of our performance, strength and prospects; and
	(iii) facilitate our Reorganisation so that Coolsa Food would become a sino-foreign joint venture enterprise in the PRC. For further information, please refer to the paragraphs headed "Reorganisation" in this section.
Basis of consideration	: Arm's length negotiation with reference to the historical financial condition of our Group
Lock-up restrictions	: Not applicable
Public float	: The Pre-IPO Investor will be considered as part of the public float for the purpose of Rule 8.24 of the Listing Rules.

The Pre-IPO Investor will hold approximately 2.25% of the enlarged issued share capital of our Company after completion of the Listing (assuming the Over-allotment Option is not exercised). The consideration paid by the Pre-IPO Investor was determined based on arm's length negotiation and by reference to the historical financial condition of our Group.

Information of the Pre-IPO Investor

The Pre-IPO Investor is an investment holding company incorporated in the BVI with limited liability on 21 June 2017 and is beneficially owned as to 100% by Mr. Lee, an Independent Third Party, save for his interest in our Company. Mr. Zheng Zhenzhong became acquainted with Mr. Lee at a business social event in or around February 2017. Mr. Lee learnt about the business of our Group, the proposed listing of the Company and the corporate reorganisation plan of our Group from Mr. Zheng Zhenzhong and Mr. Zheng Guosi. Mr. Zheng Zhenzhong and Mr. Zheng Guosi expressed to Mr. Lee that they were looking for a pre-IPO investor, who is not a PRC resident or citizen, to finance the business operation and part of the Listing expenses and to facilitate the Reorganisation so that Coolsa Food could become a sino-foreign joint venture enterprise in the PRC. Subsequently, Mr. Lee obtained due diligence documents from our Group to assess the potential pre-IPO investment. He also had a site visit at our factory to understand our business operation and development plan. Mr. Lee then decided that he has an interest to make a pre-IPO investment. The parties to the Investment Agreement then commenced to

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discuss the investment size and the preliminary terms of the pre-IPO investment. Mr. Lee is an experienced investor and he has extensive experience in investing in both listed and unlisted companies in various industries. These companies are engaged in the trading of watches, jewelries and accessories and trading of display and packaging products. He invested in initial public offering as placee and has experience in acquisition of assets from listed issuers.

To the best of the knowledge, information and belief of our Directors, (i) Mr. Lee decided to invest in our Group as he was optimistic about the prospect of the confectionary industry and our Company after he had met our management team and understood the operation of our business and (ii) the Pre-IPO Investment was financed by personal funds of Mr. Lee.

Although the cost per Share paid by the Pre-IPO Investor upon Listing represented a discount to the Offer Price (being HK\$0.70 per Share, the mid-point of the Offer Price range) of approximately 61.43%, the Directors consider that the basis of determination of the consideration was fair and reasonable. Our Company, having taken into consideration that (i) the Pre-IPO Investment would be beneficial to the future business development and possible fund-raising activities of the Group; (ii) the Global Offering is conditional and may or may not go forward; (iii) the equity risk assumed by Mr. Lee in investing in an unlisted company; and (iv) the basis of determination of the consideration as disclosed above, believes that despite the significant discount to the Offer Price, it is in our commercial interests to enter into the Investment Agreement.

Save as disclosed above, the Pre-IPO Investor and its ultimate beneficial owner do not have any other relationship with our Group, our Shareholders, our Directors, our senior management, any connected persons of our Company and any of their respective associates. Other than having a role as investor and being a shareholder of our Company, the Pre-IPO Investor and its ultimate beneficial owner, being Mr. Lee, (i) had no role and involvement in our Group and (ii) had not received or would not receive any remuneration and/or benefit in kind from our Company, our Controlling Shareholders and/or any of their associates in connection with the Listing. As at the Latest Practicable Date, Mr. Lee held the position as a director of the Pre-IPO Investor. The acquisition of the Subscription Shares and hence the Shares upon Listing by the Pre-IPO Investor was not financed directly or indirectly by any connected person of our Company (other than the Pre-IPO Investor and/or its beneficial owner).

Sole Sponsor's Confirmation

The Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the Guidance Letter HKEx-GL29-12 (January 2012) (Updated in March 2017) and HKEx-GL43-12 (October 2012) (Updated in July 2013 and March 2017) since the consideration under the Investment Agreement was settled more than 28 clear days before the date of the first submission of the listing application form in relation to the Listing to the Stock Exchange. The Sole Sponsor also confirmed that the Guidance Letter HKEx-GL44-12 (October 2012) (Updated in March 2017) is not applicable to the Pre-IPO Investment.

HISTORY, DEVELOPMENT AND REORGANISATION

PARTIES ACTING IN CONCERT

On 29 March 2019, Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian executed the Concert Parties Confirmatory Deed whereby they acknowledged and confirmed, among others, that:

- (a) they were parties acting in concert in respect of each of the members of our Group since the respective date when they acquired interest in the relevant company (the “**Relevant Periods**”); and
- (b) during the Relevant Periods, for matters relating to our Group’s business, operations, management, finance and development, they must make decision on a unanimous basis and exercise their voting rights at the shareholders’ meetings of any members of our Group or that of the controlling shareholders of our Group based on such decision.

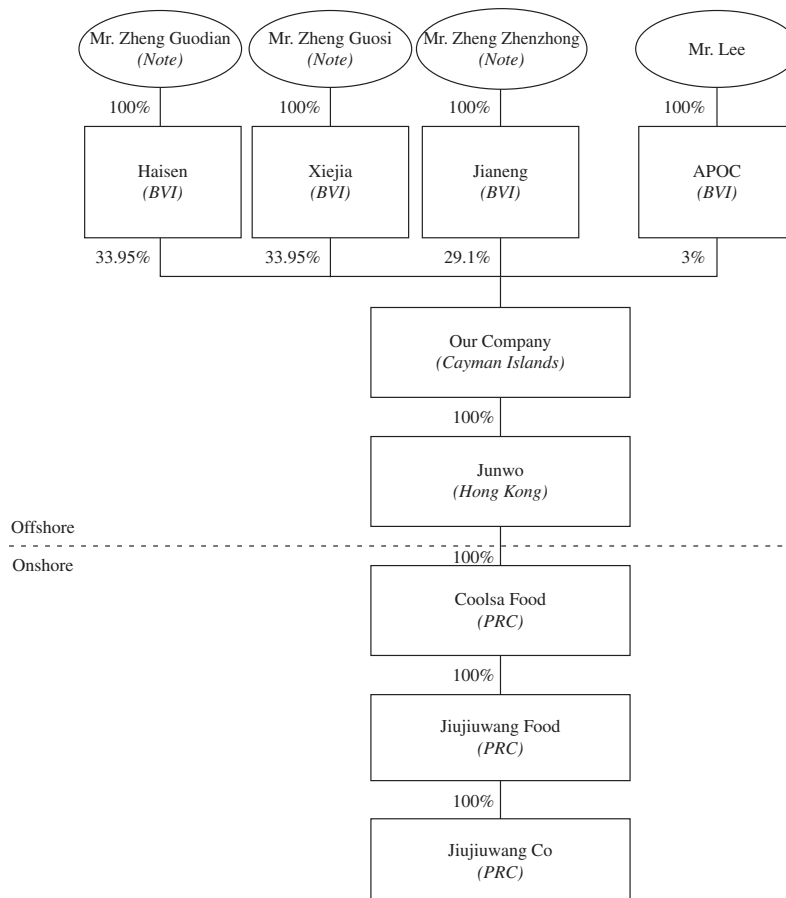
Further, pursuant to the Concert Parties Confirmatory Deed, Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian undertook that, during the period they remain in control of our Company, they would, by themselves, together with their associates or through the companies controlled by them, adopt a consensus building approach to reach decisions on a unanimous basis, and exercise their voting rights at the meetings of the Shareholders of our Company (and of its subsidiaries, if any in the future), based on such decisions.

As such, Mr. Zheng Zhenzhong (through Jianeng), Mr. Zheng Guosi (through Xiejia) and Mr. Zheng Guodian (through Haisen), are entitled to exercise and control the exercise of approximately 72.75% of our entire issued share capital upon the completion of the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

HISTORY, DEVELOPMENT AND REORGANISATION

OUR SHAREHOLDING STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following chart sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the share subdivision, the Capitalisation Issue and the Global Offering.



Note: Mr. Zheng Zhenzhong is the father of Mr. Zheng Guosi and Mr. Zheng Guodian, and Mr. Zheng Guosi is the elder brother of Mr. Zheng Guodian. By virtue of the Concert Parties Confirmatory Deed each of Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian is deemed to be a Controlling Shareholder.

SHARE SUBDIVISION

On 10 February 2021, our Shareholders resolved that, among others, (i) the authorised share capital of our Company be increased from US\$51,546.4 to US\$200,000 by the creation of an additional 1,484,536 Shares of US\$0.1 each ranking pari passu in all aspects with the existing issued Shares and (ii) immediately thereafter all the issued and unissued Shares at a par value of US\$0.1 each be subdivided into 1,000 Shares at a par value of US\$0.0001 each such that the authorised share capital of our Company shall be US\$200,000 divided into 2,000,000,000 Shares at a par value of US\$0.0001 each and the issued share capital of our Company shall be US\$51,546.4 divided into 515,464,000 Shares at a par value of US\$0.0001 each.

HISTORY, DEVELOPMENT AND REORGANISATION

The shareholding of our Company immediately following the share subdivision was as follows:

Name of Shareholders	Number of Shares held	% Shareholding
Haisen	175,000,000	33.95
Xiejia	175,000,000	33.95
Jianeng	150,000,000	29.10
APOC	<u>15,464,000</u>	<u>3.00</u>
 Total	 <u><u>515,464,000</u></u>	 <u><u>100.00</u></u>

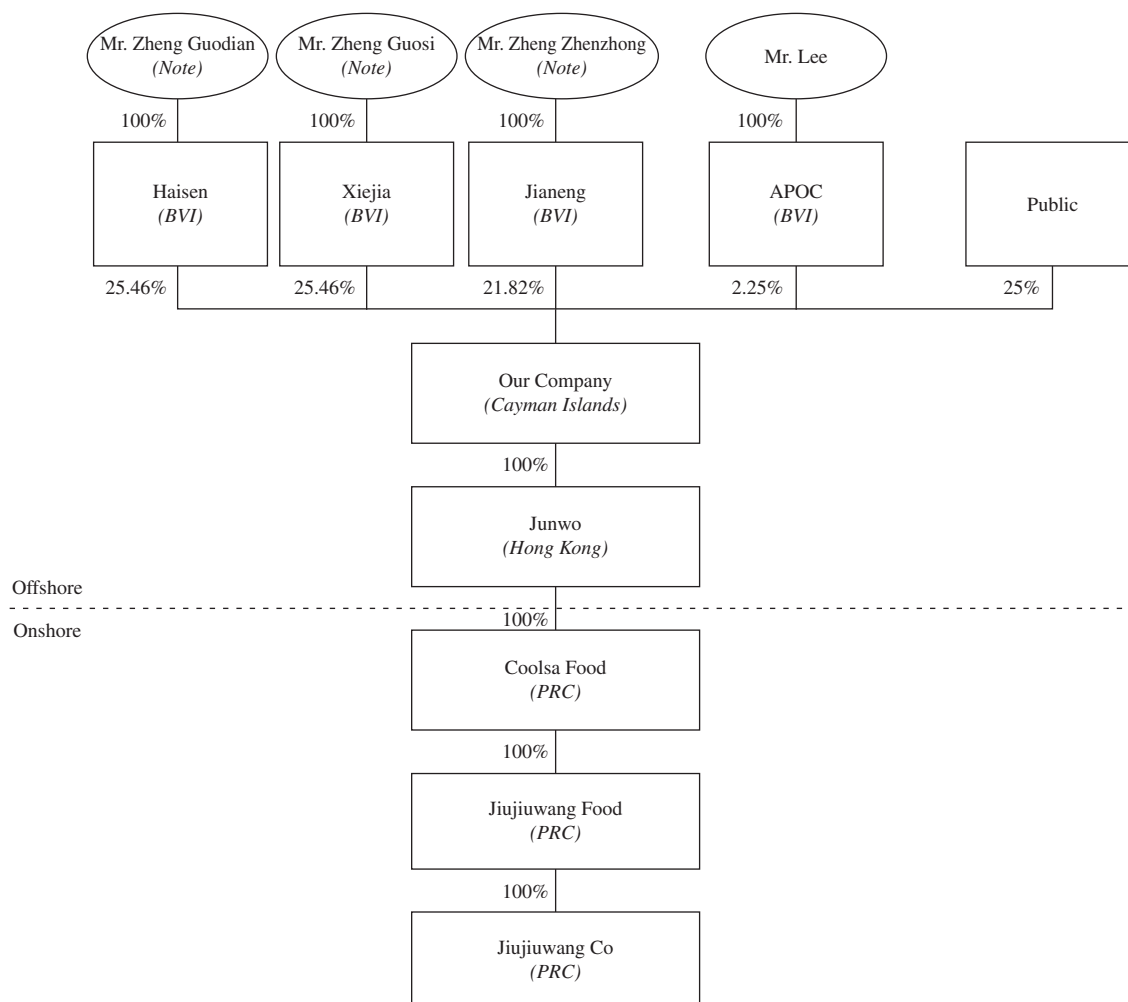
CAPITALISATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, a sum of US\$7,853.6001 standing to the credit of the share premium account of our Company will be capitalised by applying such sum in paying up in full at par 26,662,968 Shares, 26,662,968 Shares, 22,853,972 Shares and 2,356,092 Shares for issue and allotment to Haisen, Xiejia, Jianeng and APOC, respectively, immediately prior to the Global Offering.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR SHAREHOLDING STRUCTURE AFTER THE GLOBAL OFFERING

The following chart sets out the corporate structure of our Group immediately after the Global Offering, assuming that the Over-allotment Option is not exercised.



Note: Mr. Zheng Zhenzhong is the father of Mr. Zheng Guosi and Mr. Zheng Guodian, and Mr. Zheng Guosi is the elder brother of Mr. Zheng Guodian. By virtue of the Concert Parties Confirmatory Deed, each of Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian is deemed to be a Controlling Shareholder.

COMPLIANCE WITH PRC LAWS

SAFE Circular No. 37

The SAFE promulgated Circular 37 on 14 July 2014 which rescinded Circular 75. Subject to Circular 37, domestic resident, individuals or institutions are required to register with the relevant bureau of foreign exchange administration before they could invest in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC. Failure to comply with the registration procedures set forth in Circular 37 may result in restrictions imposed on the subsequent foreign exchange activities of the relevant domestic residents, including the remitting back of dividends and

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profits. Our PRC Legal Advisers have advised that our Shareholders who are PRC residents, namely Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi, had completed initial registration under the SAFE Circular No. 37 on 27 June 2018, 27 June 2018 and 26 June 2018, respectively.

M&A Rules

Under the M&A Rules, mergers and acquisitions of a domestic enterprise by foreign investors shall mean (i) a foreign investor acquires equity of a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for the increased capital in a domestic enterprise thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or a foreign investor purchases the assets of a domestic enterprise and establish a foreign-invested enterprise with such assets. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

Our PRC Legal Advisers advised that Article 11 of the M&A Rules does not apply to (i) the acquisition of 3% equity interest in Coolsa Food by APOC HK since Mr. Lee, the ultimate shareholder of APOC HK, is not a domestic natural person, and such acquisition of 3% equity interest is not an associated acquisition; and (ii) the acquisition of 100% equity interest in Coolsa Food by Junwo because Coolsa Food is no longer a domestic company at the time of acquisition. On 31 January 2019, Coolsa Food obtained a confirmation letter from the Bureau of Commerce of Jinjiang City, confirming that the establishment, change of equity interest and survival of Coolsa Food are in compliance with the PRC Company Law and the laws related to foreign-invested companies. Our PRC Legal Advisers advised that the aforesaid acquisitions have fully complied with the requirements under applicable PRC laws and regulations, and no approval from MOFCOM is required.

The PRC Legal Advisers further confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation have been obtained, and the Reorganisation has complied with all applicable laws and regulations of the PRC.

BUSINESS

OVERVIEW

Established in 1999, we are a confectionary products manufacturer in the PRC. We manufacture and sell confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We generally source raw materials from our suppliers, manufacture and package our confectionary products at our in-house production facilities, and either (i) sell our products under brands owned or licenced by our OEM customers in the PRC and to overseas countries or (ii) sell our products under our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王), to distributors and end-consumers in the PRC. According to the Frost & Sullivan Report, as measured by revenue, we ranked second in the overall sugar confectionary market in Fujian Province with regional market share of approximately 2.7% in 2019 and had approximately 0.7% market share in the PRC in 2019.

We own and operate our production facilities for manufacture of our confectionary products with a view to control our product quality, production costs and production schedule directly. Our factory has a site area of approximately 117,589 sq.m. and is located in Jinjiang City, Fujian Province. As at the Latest Practicable Date, we had 32 production lines, with an annual production capacity of approximately 15,045.4 tonnes, for manufacturing our products.

We believe that product development and quality control are crucial to our competitiveness and success. Thus, we put significant emphasis on product development and are committed to enhancing product quality to cater for changing consumer preferences. Our technical research and development department work closely with our sales and marketing department and our production department to introduce new products and modify ingredients and packages of our existing products from time to time for our business development and sustainable growth. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we introduced 134, 105, 112 and 35 new products (including new product types, new flavours or new products by using healthier ingredients), respectively, and enhanced 13, 5, 38 and 32 existing products (including enhancing formulae and packages), respectively.

Leveraging on our production and product development capacities and experience in the manufacture and sale of our own-branded products, we manufacture and sell our confectionary products under brands owned or licenced by OEM customers in the PRC and to overseas countries. During the Track Record Period, our products were sold to countries in Asia, Europe, Africa and North America. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we had 33, 33, 37 and 22 OEM customers, respectively, and generated revenue of approximately RMB191.2 million, RMB215.6 million, RMB202.7 million and RMB99.5 million from the sale of our OEM products, respectively, representing approximately 53.8%, 56.6%, 48.9% and 41.8% of our total revenue for the corresponding periods, respectively.

We also manufacture and sell confectionary products under our own brands in the PRC. We focus our resources on product development, enhancing our product quality and diversifying our product portfolios. To expand the geographic coverage of our sales network effectively without incurring significant costs, we sell our products on a wholesale basis to distributors, which are generally wholesalers and traders in different regions in the PRC. As at 31 August 2020, we had 129 third party distributors with sales network covering one municipal city, two autonomous regions and 21 provinces, forming an extensive nationwide sales network in the PRC and reaching hypermarkets, supermarkets, grocery stores and tuck shops. In view of the rapid development of technology and changes in consumption habits of end-consumers in the PRC, we launched our flagship store on Tmall.com in 2013. Through such online platforms, we sell our own-branded products to end-consumers directly and

BUSINESS

enhance our online market presence in the PRC. We believe that, through this extensive sales network, our market presence has been enhanced efficiently. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we generated revenue of approximately RMB164.6 million, RMB165.3 million, RMB211.4 million and RMB138.3 million from the sale of our own-branded products, respectively, representing approximately 46.2%, 43.4%, 51.1% and 58.2% of our total revenue for the corresponding periods respectively.

Over a journey of more than 20 years, we are rooted in the confectionary industry in the PRC and have accumulated solid experience in manufacturing high quality confectionary products covering various categories and types of candies in different flavours. In 2016, we received from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC* (國家質量監督檢驗檢疫總局) the accreditation of “Three Same (Same Production Line, Same Standard, Same Quality) Quality Certification for Food Import and Export Enterprise* (食品進出口企業“三同”(同線同標同質)資質認證)”, which recognised the quality of products we manufactured. Further, we have been accredited with ISO 9001 Quality Management System Certificate and ISO 22000 Food Safety Management System Certificate for our factory since 2005.

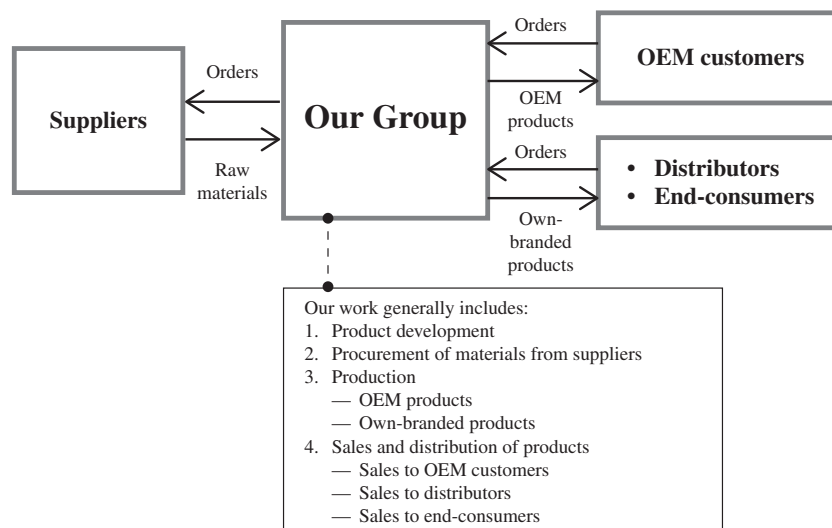
We have experienced steady growth in our revenue and gross profit for the years ended 31 December 2017, 2018 and 2019. Our revenue increased from approximately RMB355.8 million for the year ended 31 December 2017 to approximately RMB380.8 million for the year ended 31 December 2018 and further increased to approximately RMB414.1 million for the year ended 31 December 2019. Our gross profit increased from approximately RMB108.5 million for the year ended 31 December 2017 to approximately RMB114.7 million for the year ended 31 December 2018 and further increased to approximately RMB130.4 million for the year ended 31 December 2019. For the eight months ended 31 August 2020, we generated revenue of approximately RMB237.9 million, representing a decrease from approximately RMB259.7 million for the eight months ended 31 August 2019, and recorded gross profit of approximately RMB74.9 million, representing a decrease from approximately RMB83.9 million for the eight months ended 31 August 2019.

BUSINESS MODEL

We manufacture and sell confectionary products in the PRC and to overseas countries. We source raw materials from our suppliers, manufacture and package our confectionary products at our in-house production facilities and either (i) sell our products under brands owned or licenced by our OEM customers or (ii) sell our products under our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王), to distributors and end-consumers.

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Set out below is our simplified business model:



The table below sets forth a breakdown of our revenue by types of customers for the years/periods indicated:

	Year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
OEM customers ⁽¹⁾	191,243	53.8	215,557	56.6	202,689	48.9	119,625	46.1	99,520	41.8
Distributors ⁽²⁾	163,415	45.9	159,752	42.0	199,916	48.3	132,645	51.0	133,515	56.2
End-consumers ⁽³⁾	1,135	0.3	5,506	1.4	11,477	2.8	7,419	2.9	4,819	2.0
Total	355,793	100.0	380,815	100.0	414,082	100.0	259,689	100.0	237,854	100.0

(unaudited)

Notes:

- (1) Refers to the sales of our OEM products.
- (2) Refers to the sales of our own-branded products.
- (3) Refers to the online sales of our own-branded products through e-commerce channel.

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The following table sets forth a breakdown of our revenue and gross profit margin by sales of OEM products and own-branded products for the years/periods indicated:

	For the year ended 31 December									For the eight months ended 31 August					
	2017		2018			2019		2019		2020		2020			
	Revenue RMB'000	%	Revenue RMB'000	%	Gross profit margin %	Revenue RMB'000	%	Gross profit margin %	Revenue RMB'000	%	Gross profit margin %	Revenue RMB'000	%	Gross profit margin %	Gross profit margin %
OEM products	191,243	53.8	24.0	215,557	56.6	25.3	202,689	48.9	25.5	119,625	46.1	25.7	99,520	41.8	24.8
Own-branded products	164,550	46.2	38.0	165,258	43.4	36.4	211,393	51.1	37.2	140,064	53.9	38.0	138,334	58.2	36.3
— Coolsa	135,390	38.0	40.6	130,603	34.3	39.7	170,274	41.2	40.2	111,806	43.0	41.3	110,937	46.6	39.2
— Lalabo	25,974	7.3	27.2	28,055	7.4	27.1	34,084	8.2	27.3	22,811	8.8	27.7	22,778	9.6	27.3
— Jiujiuwang	3,186	0.9	17.5	6,600	1.7	11.0	7,035	1.7	12.5	5,447	2.1	12.6	4,619	2.0	12.0
Total	355,793	100.0	30.5	380,815	100.0	30.1	414,082	100.0	31.5	259,689	100.0	32.3	237,854	100.0	31.5

Due to market positioning of our Jiujiuwang brand to offer confectionary products at affordable price to children, the gross profit margin of our products under Jiujiuwang brand is lower than those of our other brands. For further information about our brands, please refer to the paragraph headed “Sales of our products — Own-branded products” in this section.

OUR COMPETITIVE STRENGTHS

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

Strong product development capabilities

We are committed to enhancing our product quality and increasing our product variety to cater for changing consumer preferences. Over a journey of more than 20 years, we have accumulated solid experience in manufacturing high quality confectionary products, with diverse product portfolio. We have implemented our product development strategy, which involves introduction of new products and modifications of ingredients and/or packages of existing products. Our product portfolio includes various types of gum-based candies, tablet candies, aerated candies and hard candies. Leveraging on our strong product development capacities, we are able to further expand our product offerings and improve the formulae and quality of our products over the years. During the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we introduced 134, 105, 112 and 35 new products (including new product types, new flavours or new products by using healthier ingredients), respectively, and enhanced 13, 5, 38 and 32 existing products (including enhancing formulae), respectively, in order to meet customer demands. Given the rising living standard in the PRC and the growing health awareness of end-consumers, we developed products with the use of Xylitol as a sugar substitute in 2005. We placed significant emphasis on developing products to meet customers’ needs. To cater to customers’ needs for healthier products, we have introduced confectionary products with added vitamin and continued to develop sugar-free formula for different categories of our products. In view of the needs of customers, we also have reduced sweetness of some of our products. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we introduced 30, 31, 60 and 30 products with either added vitamin or sugar-free formula, respectively. With our continuous

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efforts in product development, we also expanded our product offerings to cover different categories and types of confectionary products, such as nougats and chocolate-made products, and expanded our offerings to non-confectionary products, such as yoghurt flavoured drinks.

Our in-house technical research and development department, with 12 members as at the Latest Practicable Date, is primarily responsible for developing new products and modifying formulae of existing products. Such department is led by Mr. Wang Guojun (王國軍), our chief technical and quality officer, who has over 30 years of experience in the food and confectionary industry in the PRC. For further information about the experience and qualification of our senior management, please refer to the section headed “Directors and senior management — Senior management” in this prospectus. Moreover, our technical research and development department also works closely and proactively with our sales and marketing department and production department to collect market intelligence across different market segments to enhance our understanding of and ability to respond to consumers’ change in tastes and preferences, focusing particularly on product tastes, appearance, textures, formulae and packaging, while maintaining our cost of production at acceptable levels. Further, in order to keep abreast of the latest market development and trends, we attend and participate in local and national food exhibitions and trade fairs from time to time.

We believe that our product development capacities enable us to expand our product offerings, differentiate us from our competitors and contribute to our sustainable growth and development.

Stable business relationships with our major OEM customers and distributors under our extensive sales network

We sell products under (i) our own brands and (ii) brands owned or licenced by our OEM customers. Throughout the years of our operations, we have established stable business relationship with our major OEM customers and distributors. We have business relationship ranging from approximately 6 years to approximately 17 years with our five largest customers during the Track Record Period.

For our OEM products, we generally sell our products to customers which owned or licenced different brands. During the Track Record Period, our OEM products were sold to not less than 35 shipping destinations outside the PRC, including Germany and the Philippines. Further information on our sales channels is set out in the paragraph headed “Marketing and promotion” in this section.

For our own-branded products, we employ a distributorship model and sell our products to distributors who may then engage sub-distributors or retailers for sale of our products in the same region. As at 31 August 2020, we had 129 third party distributors with sales network covering one municipal city, two autonomous regions and 21 provinces in the PRC, forming an extensive nationwide sales network reaching hypermarkets, supermarkets, grocery stores and tuck shops. We have been optimising the distribution structure through careful and standardised selection. Such network penetrates to a wide range of points-of-sales, enabling us to sell our products at different levels of the market, from provinces to cities and counties, and covering some remote areas in the PRC. We believe the scale of which is hard to replicate and gives us competitive advantage against our competitors. We have business relationship with our five largest distributors during the Track Record Period for an average of approximately 11 years. We believe our distribution network is efficient and, under such network, our products can reach end-consumers nationwide without incurring significant costs.

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In order to strengthen our relationship with our customers, we have our dedicated sales teams to visit our distributors and our OEM customers from time to time for feedback on our products and providing them with our assistance. We work closely with our distributors and OEM customers to understand the needs of end-consumers to formulate marketing plans and expand our product offerings. We believe that our stable business relationship with our distributors and OEM customers also allow us to launch new flavours and products with ease, enabling new launches of our products successfully.

Strong devotion and commitment to stringent quality standards and control

We place considerable emphasis on maintaining high standards of quality in our products and employ stringent standardised quality control procedures throughout our manufacturing processes to ensure adherence to high food safety standard. We have adopted a set of comprehensive quality control measures to prevent the occurrence of food safety issues. To ensure high standards of quality control, our production team acts as the frontline of our quality control process, while our quality control team, which is independent from our production team, would check our product quality at different stage of production. As at the Latest Practicable Date, our quality control team, with six members, closely monitors our manufacturing processes. Our control procedures generally include inspection of incoming raw materials, regular evaluation of suppliers, monitoring of our production processes to detect any contaminants, sample inspections of semi-finished and finished products and evaluation of different production aspects.

As at the Latest Practicable Date, we operated 32 production lines and the continuous enhancement of our machines and equipment and our production process will enable us to enhance our manufacturing efficiency. Our equipment engineering team would handle the maintenance of our production equipment and production facilities environment and the maintenance of our inventory storage areas to prevent spoilage of our products to ensure that our production facilities are in good conditions for production of our high quality products. Our Directors confirm that we have not experienced any material quality control issues during the Track Record Period and up to the Latest Practicable Date.

We believe that our product quality and management system are well recognised locally and internationally. In 2016, we received from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) the accreditation of “Three Same (Same Production Line, Same Standard, Same Quality) Quality Certification for Food Import and Export Enterprise* (食品進出口企業“三同”(同線同標同質)資質認證)”, which recognised the quality of products we manufactured. Since 2016, the production of our products has been certified by the BRC (British Retail Consortium) Certificate (英國零售商協會認證), which is a global standard for food safety. Further, we have been accredited ISO 9001 Quality Management System Certificate and ISO 22000 Food Safety Management System Certificate for our factory since 2005. Our Directors believe that our effective management system in relation to quality control would continue to be the cornerstone of our success.

Stable supply of raw materials by carefully selected suppliers

In order to produce high quality products, we must have stable supply of high quality raw materials for manufacture of our products. Throughout the years of our operation, we have established our supply network to meet our demand for raw materials. Our raw materials are generally available from a number of suppliers and we generally have at least three sources of supply for each type of raw materials. We carefully select raw material suppliers based on our stringent selection criteria, by considering a range of

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factors including but not limited to scale of operations, quality control measures, logistics arrangements and industry experience and we also carry out on-site visits to better understand our suppliers. We have maintained a list of approved suppliers and we procured raw materials from these suppliers during the Track Record Period. We have maintained business relationship of approximately 4 years to approximately 19 years with our five largest suppliers during the Track Record Period. Maintaining stable relationship with our suppliers is our strength and edge in negotiating prices and maintaining stable source of supply of materials to meet our production schedule. Our Directors believe that, with stable supply of raw materials, we can maintain the quality of our products and control our production costs with favourable terms.

Our production base is scaled and well-equipped for automated manufacturing of confectionary products

We have our own production facilities for manufacture of our confectionary products. We believe that with our own production facilities, we can manage our production costs and product quality and plan our production schedule more effectively and are able to respond to demand from customers more quickly. Our scalable production base is located in Jinjiang City of site area of approximately 117,589 sq.m. and with nine buildings of total gross floor area of approximately 60,792 sq.m.. As at the Latest Practicable Date, we had 32 production lines with an annual production capacity of approximately 15,045.4 tonnes. In order to optimise production capacity and efficiency and pursue excellence in product quality and food safety, our production process from raw material mixing, moulding, coating to final product wrapping and packaging, are highly standardised and automated with minimal manual process. Moreover, we believe that our success, in part, depends on our ability to enhance our production capacities and, thus, we are constantly trying to improve and upgrade our production facilities and production lines by replacing machines in production lines which have been fully depreciated or would soon be fully depreciated and have made substantial investment on purchasing and designing production machineries and equipment. As at the Latest Practicable Date, we have installed various machines for a new production line for manufacture of jelly candies as a new category of our products. We carried out testing of the production line in May 2019 and completed trial production in August 2019. Commercial production commenced in September 2019.

Further, we acquired another parcel of land in Jinjiang City in December 2017 and intend to build new factory buildings for expansion of our production facilities and capacities in the future to facilitate the continuous growth of our business. We intend to build a new factory building on this parcel of land in 2020 for housing the new production lines for manufacture of our existing products, which could not be fitted in our existing factory buildings due to limited space. The construction for the supply of water, electricity and gas and the provision of telecommunication facilities and road access as well as the levelling of the ground on the construction site commenced in June 2020 and shall be completed by March 2021. It is expected that the formal construction work would commence in or around March 2021 and the construction work will be completed in or around March 2022, tentatively, subject to the receipt of necessary licences, permits or approvals from relative authorities relating to the construction work and the construction work progress which may be beyond our control. Upon completion of construction work, we would commence installation of three new production lines for manufacture of tablet candies and six new production lines for manufacture of gum-based candies from March to May 2022. It is expected that we will commence trial production at the new factory building from June to August 2022 and will commence commercial production in or around September 2022 tentatively. Upon completion of construction work of our new factory building and commencement of commercial production of new

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production lines, we will have a total of 41 production lines and our annual production capacity will reach 18,619.3 tonnes in 2022. Further, with our own production facilities and automated production lines, we are able to ensure a consistent supply of products to our customers and enjoy great flexibility in adjusting our production schedules to meet supplemental production orders from unforeseen demand. For further information on our production facilities, please refer to the paragraph headed “Production — Our production facilities” in this section.

Dedicated management team with extensive market knowledge and experience in the confectionary industry in the PRC

We have a dedicated management team with extensive market knowledge and experience in the confectionary industry in the PRC. Our founder, executive Director, chairman and chief executive director, Mr. Zheng Zhenzhong, has over 26 years of experience in business management in the confectionary industry which enables us to have a better understanding of the market dynamics, develop new products and identify and capture new business opportunities. Mr. Zheng Guosi, our executive Director, has also accumulated more than 20 years of experience in sales and marketing in the confectionary industry in the PRC. Moreover, Mr. Chen Kan, our executive Director and chief financial officer, has extensive knowledge and experience in accounting and financial management. Our senior management also possesses extensive operational and management experience in the production, product development and marketing of confectionary products and human resources management in the PRC. For details of the experience and qualification of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus. Under the leadership and supervision of our executive Directors and senior management, we have successfully developed our business and expanded our sales network covering one municipal city, two autonomous regions and 21 provinces in the PRC as at 31 August 2020. Moreover, the extensive market knowledge and experience of our management in the industry has enabled our Group to develop sustainable strategies and capture market opportunities. Under the leadership of our management, we achieved continuous growth in our business during the Track Record Period.

In view of the foregoing, we believe that our management team’s extensive knowledge and experience will enable us to manage our operation efficiently and will steer us towards greater success in the future.

OUR BUSINESS STRATEGIES

We strive to achieve sustainable growth and further enhance our position as a manufacturer of confectionary products in the PRC. We plan to leverage our competitive strengths and implement the following strategies:

Expansion of our production capacities

We believe that our future success, in part, depends on our ability to enhance our production capabilities, which include increasing our production utilisation rate, improving our production efficiency, acquiring and upgrading equipment and production facilities and modifying our existing production processes. Therefore, we plan to increase the number of our production lines in the future to strengthen our market position and maintain our competitiveness.

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New production line for a new category of products

In order to expand our product offerings and the categories of our confectionary products, we entered into an agreement for purchase of a new production line for manufacture of jelly candies as a new category of our products in June 2018. We intend to manufacture and sell the jelly candies under our own brands and brands of our OEM customers. We have installed and tested such production line at our new factory building, which was built to facilitate our expansion of production capacity. We obtained the property ownership certificate of such building in March 2019 and completed trial production of the jelly candies production line in August 2019. Commercial production commenced in September 2019. The new production line would, given its better specifications and recency of the machine model, have an annual production capacity of 2,640 tonnes. Revenue generated from the sale of jelly candies amounted to approximately RMB22.1 million for the eight months ended 31 August 2020. For information on our product research and development of jelly candies products and our new production line for manufacture of jelly candies, please refer to the paragraphs headed “Product research and development — Development of new products” and “Production — Our production facilities — New production line for new category of products” in this section.

The total investment costs was approximately RMB34.2 million (including (i) costs of construction work of a factory building of approximately RMB4.6 million, (ii) purchase cost of production line of RMB20.0 million and (iii) construction and purchase of ancillary facilities and equipment of approximately RMB9.6 million), of which approximately RMB33.8 million were settled as at 31 December 2019 and the remaining balance has been settled by our Group as at 30 April 2020. The total investment costs was fully funded by our internal resources. For illustration purpose only, it is noted that we had achieved breakeven (i.e. income contributed by the new production line for a new category of products equals to the operating expenses incurred by it) for the new production line for a new category of products within one month and will be able to achieve investment payback (i.e. the amount of time that it takes for the income contributed by the new production line for a new category of products to equal to its total investment cost and operating expenses) for the new production line for a new category of products within four years, respectively assuming the additional revenue and gross profit margin contributed by such production line will be equal to the average of the revenue and gross profit margin contributed by new product introduced during the Track Record Period.

New production lines for existing products

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, our utilisation rates for manufacture of confectionary products reached approximately 100.9%, 93.0%, 90.7% and 73.3%, respectively. In order to enhance our capacities, we introduced new production lines during the Track Record Period. In 2017, we introduced four new production lines for manufacture of each of gum-based candies, tablet candies, aerated candies and hard candies. Thus, we increased our production capacity for manufacture of our candies products from approximately 11,450.6 tonnes for the year ended 31 December 2017 to approximately 12,247.0 tonnes for the year ended 31 December 2018, and further to approximately 13,347.0 tonnes for the year ended 31 December 2019 to meet demand from our customers. Our annualised production capacity for manufacture of our candies products has reached approximately 14,886.9 tonnes as at 31 August 2020. Notwithstanding our introduction of new production lines and our increase in production capacity, our utilisation rates for the production of our products generally exceeded 90% during the Track Record Period save for the eight

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months ended 31 August 2020 as affected by the outbreak of the COVID-19. Moreover, our existing production facilities were generally fully utilised and exceeded our designed production capacity in certain months of the year leading to the holiday and festive seasons.

In particular, the utilisation rates of our production lines for manufacture of gum-based candies reached approximately 123.2%, 118.2%, 105.0% and 99.8% for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively. Notwithstanding the slight decrease in production volume of our gum-based candies to approximately 5,266.8 tonnes for the year ended 31 December 2019 from approximately 6,262.6 tonnes for the year ended 31 December 2017, the average utilisation rate of our gum-based candies production lines still exceeded 100% for each of the years ended 31 December 2017, 2018 and 2019. Thus, our Directors are of the view that there is a rigid demand for new production lines for producing gum-based candies to reduce our production pressure, to cater for demand for our products and to expand the sales of our gum-based candies.

The utilisation rates of our production lines for manufacture of tablet candies reached approximately 91.4%, 89.2%, 98.9% and 89.4% for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively. As at the Latest Practicable Date (i.e. 17 February 2021), we have received confirmed orders for the year ending 31 December 2021 of approximately RMB55.8 million from 1 January 2021, representing an increase in confirmed orders of approximately 37.9% when compared to that as at 17 February 2020 for the year ended 31 December 2020, of which approximately 40.2% of these orders was attributable to the orders for our tablet candies (being approximately 46.3% as at 17 February 2020) and approximately 36.3% of these was attributable to the orders of our gum-based candies (being approximately 24.7% as at 17 February 2020).

Our Directors are of the view that, based on the utilisation rates during the Track Record Period, if our confectionary products become more and more popular, our production capacity would be unable to cope with the demand from our existing customers and would hinder the potential growth of our Group. As expected by Frost & Sullivan, the size of sugar confectionary retail market in the PRC will experience a growth from approximately RMB96.6 billion in 2020 to RMB109.1 billion in 2024, with a CAGR of approximately 3.1%, representing a growth in the market size of approximately RMB12.5 billion. Having considered (i) the size of the sugar confectionary retail market in the PRC, (ii) our market share of approximately 0.7% in the PRC in 2019 and (iii) the high utilisation rates of our production lines for manufacture of gum-based candies and tablet candies during the Track Record Period, we consider that it is critical for our Group to expand our production capacity not only to maintain our competitiveness but also to capture business opportunities and increase our market share in the industry during market growth. In this regard, we intend to introduce six new production lines for manufacture of gum-based candies and three new production lines for manufacture of tablet candies by September 2022. With the new production lines for manufacture of gum-based candies and tablet candies, it is expected that the annual production capacity of gum-based candies and tablet candies will be increased by 3,573.9 tonnes from the current production capacity of 6,980.2 tonnes to 10,554.1 tonnes in September 2022. Having considered that (i) approximately 75% of our revenue was generated from the sales of gum-based candies and tablet candies during the Track Record Period, (ii) the overall utilisation rates of our production lines for manufacture of gum-based candies and tablet candies were generally high during the Track Record Period, (iii) our existing production facilities were generally fully utilised and exceeded our designed production capacity in certain months of the year leading to the holiday and festive seasons, (iv) our production capacity would be unable to cope with the demand from customers and would hinder the potential growth of our Group and (v) the long lead time required to

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receive, install, calibrate and test our new machines and equipment prior to commencement of commercial production, we consider that the installation of new production lines for gum-based candies and tablet candies are reasonable. With an enhanced production capacity, we can further expand our product offerings, develop products with different flavours and ingredients, introduce products with innovative, attractive and well-packaged products to meet changing trends and consumer demands to maintain our competitiveness and attract new consumers for our sustainable growth and development. We intend to manufacture and sell the gum-based candies and tablet candies to be manufactured by these production lines under our own brands and brands of our OEM customers.

We plan to enter into a purchase agreement with an equipment supplier, which is an Independent Third Party, for purchase of the nine new production lines subsequent to the Listing. The purchase costs would be RMB33.5 million and shall be settled by two instalments. The purchase costs are determined based on arm's length negotiation and by reference to purchase costs of our existing production lines for manufacture of gum-based candies and tablet candies, production capacity of the production lines and market price of similar production lines. The first instalment of RMB15.5 million shall be paid when the purchase agreement is to be signed subsequent to the Listing while the second instalment of RMB18.0 million (being the remaining balance of the purchase costs) shall be paid when the production lines are installed at our factory by May 2022. It is expected that our new production lines will commence trial production from June to August 2022 and will commence commercial production in or around September 2022, tentatively. To ensure that the quality of products to be manufactured by the new production lines are consistent with that of our existing products and to shorten the time on testing and adjusting the new production lines, we intend to purchase new production lines for manufacture of our existing products which are the same as our existing production lines. We believe that with the same machine and equipment for manufacture of existing products, we can avoid possible change in product quality and operation errors due to an introduction of new production lines. Therefore, the production capacity of our new production lines is the same as our existing production lines.

Having considered the purchase costs of the production line for jelly candies (being new products) and the production lines for gum-based candies and tablet candies (being existing products) and the fundamental difference of the type of candies manufactured by different production lines, making their production capacities incomparable, our Directors are of the view the production capacity of the new production lines for manufacture of our existing products is fair and reasonable.

In order to facilitate the introduction of the nine new production lines and expansion of our production base for sustainable long term growth, we plan to build a new factory building for housing the aforementioned new production lines intended to be purchased, which could not be fitted in our existing factory buildings due to limited space. Such new factory building will be built on a parcel of land acquired by us in December 2017. The construction for the supply of water, electricity and gas and the provision of telecommunication facilities and road access as well as the levelling of the ground on the construction site commenced in June 2020. It is expected that construction work of the new factory building will commence in or around March 2021 and will be completed in or around March 2022, tentatively, subject to the receipt of necessary licences, permits or approvals from relevant authorities relating to the construction work and the construction work progress which may be beyond our control. It is expected that the costs of construction would be RMB27.0 million, which shall be settled by four instalments as follows: (i) the first instalment shall be settled one week before commencement date of the construction, (ii) the second instalment shall be settled when the construction progress reaches 50%, (iii) the third instalment shall be settled when the construction work is completed and the relevant

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examination of completed construction is passed and (iv) the fourth instalment shall be paid at the end of the maintenance period (being one year after the completion of construction work). Upon completion of construction work, we would commence installation of three new production lines for manufacture of tablet candies and six new production lines for manufacture of gum-based candies between March and May 2022. For information on our existing production lines, please refer to the paragraph headed “Production — Our production facilities” in this section.

It is expected that the total investment costs would be RMB60.5 million (including costs of construction work of a factory building and purchase costs of production lines). We intend to apply (i) RMB22.0 million (equivalent to approximately HK\$26.5 million or approximately 37.4% of the net proceeds from the Listing) to finance the costs of construction work and (ii) RMB8.0 million (equivalent to approximately HK\$9.6 million or approximately 13.6% of the net proceeds from the Listing) to finance the purchase costs of production lines. The remaining balance of the investment costs of approximately RMB30.5 million would be funded by our internal resources, including our cash and cash equivalents and net cash inflow from operating activities, and/or debt or equity financing.

For illustration purpose only, it is noted that we will be able to achieve breakeven (i.e. income contributed by the new production lines for existing products equals to the operating expenses incurred by them) and investment payback (i.e. the amount of time that it takes for the income contributed by the new production lines for existing products to equal to their total investment cost and operating expenses) for the new production lines for existing products within two years and nine months, and two years and ten months, respectively assuming an annual growth of approximately 7.7% in our relevant sales contributed by the existing production lines with reference to the historical growth rate in our revenue during the Track Record Period and that we will shift approximately 20% production to the new production lines with reference to the utilisation rate of our existing production lines during the Track Record Period which may reach as high as 123.2%.

It is expected that upon completion of the construction of a new factory building and acquisitions of production lines as mentioned above, our Group will have a total of 41 production lines with annual total production capacity of 18,619.3 tonnes, representing an increase in approximately 6,213.9 tonnes (comprising (i) the production capacity of new production lines for tablet candies and gum-based candies of 3,573.9 tonnes and (ii) the production capacity of new production line for a jelly candies of 2,640.0 tonnes) or an increase of approximately 50.1% in our total production capacity before introduction of the new production lines. Based on the average annual growth rate of our sales volume from 2017 to 2019 of approximately 6.1%, the expected annual total production capacity of 18,619.3 tonnes would be fully utilised for our expected sales volume for the year ending 31 December 2026. The new production line for jelly candies, being a new category of products, was installed and commercial production has commenced to expand our product offerings. We believe that the expansion of our product offerings can enable us to cater for needs of customers, to attract new business and to maintain our market shares. Moreover, having considered the utilisation rates of our tablet candies and gum-based candies during the Track Record Period, if the demand for our products continues to grow, our production capacity would be unable to cope with the demand and would hinder our potential business growth. Thus, our Directors are of the view that the introduction of new production lines is crucial for our continuous business growth and sustainable development in long term given that the new production lines for our existing products would be introduced by September 2022.

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Replacement of machines in our existing production lines

Due to natural ageing of machines and to improve our production and operation efficiency, we have entered into agreements for purchase of new machines in our existing production lines in 2019. The new machines would replace some of our machines and equipment currently in use which have been fully depreciated. 257 machines and equipment, representing approximately 35.7% of the total number of our machines and equipment of an aggregate net value of approximately RMB1.8 million as at 31 August 2020 have been fully depreciated by 31 October 2020. With appropriate repair and maintenance, the lifecycle of these machines and equipment could generally be extended and could be in good condition. We intend to replace a total of 63 machines and equipment that have been fully depreciated by 31 October 2020. The majority of these machines and equipment had been in use for over 10 years. In order to maintain our production and operational efficiency and product quality, our Directors are of the view that the replacement of machines is fundamental to our business operation. Machines and equipment that we intend to replace would be in conditions that further repair and maintenance would not be cost effective or would not allow us to maintain our product quality or production and operational efficiency. We will continue to use the machines and equipment which appropriate repair and maintenance would be cost effective to maintain their production and operational efficiency notwithstanding that they have been or will soon be depreciated. First batch of machines and equipment of RMB20.0 million, which had been fully settled with our internal resources, had been delivered to us, and such machines and equipment were subsequently installed.

The table below sets forth the first batch of machines and equipment and their cost and expected useful life:

Types of equipment	Number	Cost per unit RMB'000	Expected useful life (years)
<i>Moulding equipment (成型設備)</i>			
Moulding machine (成型機)	2	420	10
Extrusion machine (擠出機)	3	400	10
<i>Mixer (攪拌設備)</i>			
Mixing and kneading machine (攪拌捏合機)	1	240	10
<i>Packaging equipment (包裝設備)</i>			
Filling machine (灌裝機)	1	1,700	10
Folding packaging machine (折疊包裝機)	31	500	10
Blister packaging machine (泡罩機)	1	180	10
Tablet labelling machine (爽口片貼標機)	2	170	10

Second batch of machines and equipment of total investment costs of RMB32.0 million, of which RMB17.0 million had been settled with our internal resources, and RMB15.0 million (equivalent to approximately HK\$18.1 million or approximately 25.5% of the net proceeds from the Listing) is intended to be financed by the net proceeds from the Global Offering. It is expected that such machines and equipment will be installed in March 2021, and trial production and commercial production are expected to be commenced in or around April 2021 and June 2021, respectively.

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The table below sets forth the second batch of machines and equipment and their cost and expected useful life:

Types of equipment	Number	Cost per unit <i>RMB'000</i>	Expected useful life <i>(years)</i>
<i>Boiler (熬煮設備)</i>			
Sugar boiler (熬糖機)	1	780	10
<i>Moulding equipment (成型設備)</i>			
Moulding machine (成型機)	2	330	10
High-speed sugar cutting machine (高速塊糖機)	4	1,040	10
Extrusion machine (擠出機)	1	450	10
Puffing machine (膨化機)	2	3,340	10
<i>Packaging equipment (包裝設備)</i>			
Bottle unscramble (理瓶機)	1	8,500	10
Line packaging machine (條包機)	4	1,240	10
Slanted pillow packaging machine (斜盤枕式包裝機)	1	570	10
Automatic blister packaging machine (自動泡罩包裝機)	1	590	10
Filling machine (灌裝機)	1	1,180	10
Labelling machine (貼標機)	3	827	10
Capping machine (壓蓋機)	1	990	10

For information on our major machineries, please refer to the paragraph headed “Production — Major machineries — Replacement of our existing machines” in this section.

Enhancement of marketing efforts, increasing our sales through e-commerce channel and expansion of our distribution network

In view of the rapid internet development in the PRC, we launched our own flagship online store on Tmall.com in 2013 to strengthen our brand awareness and expand our sales channels. Having considered that our online sales of own-branded products to end-consumers through e-commerce channel has increased significant from RMB1.1 million for the year ended 31 December 2017 to RMB11.5 million for the year ended 31 December 2019, we plan to put more effort to develop our e-commerce platforms by increasing the number of our online stores on difference e-commerce platforms and expanding our marketing team to focus on promoting our online sales and enhancing our online market presence and brand awareness. We also plan to enhance our marketing efforts and we will enhance our efforts in building our own brands, particularly our Coolsa brand, to strengthen our market position and to enhance market presence and brands awareness. We intend to promote our brands by expanding our marketing efforts across a wide variety of media channels, such as placing advertisements on our online store and television commercials in the PRC. We also plan to recruit marketing staff who has experience in online marketing and sales and online marketing planning. We intend to apply RMB5.0 million (equivalent to approximately HK\$6.0 million or approximately 8.5% of the net proceeds from the Listing) to finance our marketing expenses.

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Moreover, to consolidate our distribution strength, we plan to increase our sales by (i) further strengthening our distribution network, (ii) expanding e-commerce network through the operation of our flagship online store and increasing the number of online stores on different e-commerce platforms and (iii) exploring the use of online to offline sales channel, for further expansion of our sales network. Further, we will continue to strengthen our cooperation with our OEM customers and to further explore potential business opportunities. To this end, we will continue to attend and participate in trade fairs and exhibitions.

Expansion and enhancement of our product offerings through continuous product development efforts

We believe that the ability to develop innovative, attractive and well-packaged products is an important factor to maintain our market shares and develop brand awareness of our products. We plan to leverage on our product development capacities and expand our product offerings continuously to cater for needs of customers. For example, with growing health awareness among consumers in their consumption of candies, we have used non-sugar ingredients, such as Xylitol and Sorbitol as sugar substitutes and have introduced candies with added vitamin. We believe it is important to develop our sugar-free formula, enhance our existing formula by using healthier ingredients, expand our product offerings and adjust our product mix in response to changing consumer tastes and preferences in order to stay competitive in the confectionary industry and we expect that a more comprehensive product portfolio can increase our commercial appeal to our customers. We believe that our strong product development capabilities coupled with our established brand name and extensive distribution network provide a solid foundation for us to introduce new confectionary products to the market. We believe we can achieve synergies in our product development activities, branding and sales and marketing of these new products by leveraging our experience and existing strengths in these areas.

For details of our future plans, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

OUR PRODUCTS

The major categories of our products can be broadly categorised into the following:

- gum-based candies, which include chewing gums and bubble gums and generally have an average shelf life of about 12 months;
- tablet candies, which include no-filled tablet candies and breath strips and generally have an average shelf life of about 18 months;
- aerated candies, which include milk candies and nougats and generally have an average shelf life of about 12 months; and
- hard candies, which include lollipops, filled hard candies and traditional hard candies and generally have an average shelf life of about 12 months.

Leveraging on our strong product development capacities, we developed and manufactured different types of candies to further expand our product portfolio and diversify our offerings.

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The table below sets forth our revenue and gross profit margin by product category for the years/ periods indicated:

Product category	For the year ended 31 December						For the eight months ended 31 August								
	2017		2018		2019		2019		2020		2020				
	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %			
	(unaudited)														
Gum-based candies	142,434	40.0	22.8	151,855	39.9	24.3	147,576	35.6	24.5	92,134	35.5	24.8	75,903	31.9	24.2
Tablet candies	130,966	36.8	33.1	140,456	36.9	32.2	169,764	41.0	34.0	106,977	41.2	35.7	100,466	42.2	34.5
Aerated candies	52,589	14.8	42.6	57,147	15.0	38.7	68,024	16.4	39.6	37,782	14.5	39.8	42,211	17.8	36.5
Hard candies	23,848	6.7	33.8	25,463	6.7	33.5	23,047	5.6	34.0	20,007	7.7	35.0	17,363	7.3	34.3
Others ^(Note)	5,956	1.7	36.3	5,894	1.5	33.0	5,671	1.4	32.4	2,789	1.1	32.5	1,911	0.8	30.0
Total	355,793	100.0	30.5	380,815	100.0	30.1	414,082	100.0	31.5	259,689	100.0	32.3	237,854	100.0	31.5

Note: Included products which are developed or sold by us on a trial basis, such as (i) other sugar confectionary products, including candy flavoured straws and chocolate-made products, and (ii) non-confectionary products, including yoghurt flavoured drinks and instant noodles.

Set out below are samples and descriptions of the major categories of our products (being gum-based candies, aerated candies, hard candies and tablet candies).

Gum-based candies



Generally refers to candies manufactured by using Xylitol and/or Sorbitol, gum base and liquid glucose syrup as main ingredients. Types of our gum-based candies include chewing gums and bubble gums. Our gum-based candies are moulded into different shapes, including rolls, sheets, tablets and beans. Our gum-based candies generally have an average shelf life of about 12 months. During the Track Record Period, the average selling price for our gum-based candies ranged from approximately RMB24.6 per kg to approximately RMB26.1 per kg.

Tablet candies



Generally refers to candies manufactured by using Sorbitol as main ingredients. Types of our tablet candies include no-filled tablet candies and breath strips. Our tablet candies are pressed into different shapes, including traditional pill and irregular shapes. Our tablet candies generally have an average shelf life of about 18 months. During the Track Record Period, the average selling price for our tablet candies ranged from approximately RMB71.0 per kg to approximately RMB97.4 per kg. As the costs of raw materials for manufacture of tablet candies are generally higher than other categories of candies, the price for our tablet candies are higher than the price of other candies.

Aerated candies



Generally refers to candies manufactured by using white sugar and liquid glucose syrup as main ingredients. Types of our aerated candies include milk candies and nougats. Our aerated candies are moulded into different shapes, including beans. They are generally chewy and some of them are centre-filled. Our aerated candies generally have an average shelf life of about 12 months. During the Track Record Period, the average selling price for our aerated candies ranged from approximately RMB19.1 per kg to approximately RMB23.4 per kg.

Hard candies



Generally refers to candies manufactured by using white sugar and liquid glucose syrup as main ingredients. Types of our hard candies include lollipops, filled hard candies and traditional hard candies. Our hard candies generally have a hard texture and are moulded into different shapes, such as, lollipops and traditional candies. Our hard candies generally have an average shelf life of about 12 months. During the Track Record Period, the average selling price for our hard candies ranged from approximately RMB18.2 per kg to approximately RMB19.6 per kg.

PRODUCT RESEARCH AND DEVELOPMENT

We believe that product development is crucial to our success and sustainable growth. Thus, we place significant emphasis on developing innovative, attractive and well-packaged products to meet changing trends and consumer demands. Our in-house technical research and development department, with 12 members as at the Latest Practicable Date, is primarily responsible for developing new products and modifying formulae of existing products. Such department, which is led by our chief technical and quality officer, Mr. Wang Guojun, would work closely and proactively with our sales and marketing department and production department to enhance our understanding of and ability to respond to consumers' change in tastes and preferences, focusing particularly on product tastes, appearance, textures, formulae and packaging, while maintaining our cost of production at acceptable levels. Leveraging on our continuous efforts in product development, we expanded our product offerings to cover different categories of confectionary products, such as nougats and chocolate-made products, and expanded our offerings to non-confectionary products, such as yoghurt flavoured drinks. With a view that health awareness of end-consumers in the PRC is increasing and that end-consumers tend to prefer products with less sugar content due to the rising living standard, we constantly explore alternative ingredients which are healthier while maintaining flavours and texture profiles. For instance, in 2005, we launched products with the use of Xylitol as a sugar substitute. We also introduced candies with added vitamin for different categories of our products. Moreover, we reduced sweetness of some of our products in view of the needs of customers. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we introduced 30, 31, 60 and 30 products with either added vitamin or sugar-free formula, respectively. In 2019, to cater for needs of customers and to maintain the competitiveness of our products, we put more effort to develop or enhance products with healthier ingredients and, thus, the number of products with either added vitamin or sugar-free formula increased substantially. Also, we strive to improve our product packaging to suit customers' needs. For instance, we design sleek, lightweight, portable and fast-dispensing clip-top boxes for our breath fresheners that are easy to store and travel with.

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We have a track record of launching new products and improved products and we typically launch new products every year. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we introduced 134, 105, 112 and 35 new products (including new product types, new flavours or new products by using healthier ingredients) for our own-branded products and OEM products, respectively, enhanced 13, 5, 38 and 32 existing products (including enhancing formulae and packages), respectively. Having considered that customers are interested in products with different packages and of a wider variety of flavours, we put more emphasis on enhancing and developing our existing products and the number of products with enhanced formulae and packages was increased in 2019.

To keep abreast of the latest market development and trends, we attend and participate in local and international food exhibitions and trade fairs from time to time. Moreover, to gain in-depth understanding of the market and consumers, our marketing team would conduct market research from time to time. We incurred approximately RMB0.9 million, RMB1.1 million, RMB1.2 million and RMB0.6 million in research and development for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively.

Development of new products

In order to further expand our product offerings and the categories of our confectionary products, we started to manufacture and sell jelly candies under our own brand or under brands of our OEM customers in 2019. These jelly candies are soft and chewy and are moulded into different shapes. They are manufactured by using liquid glucose syrup as main ingredients. At this stage, the types of our jelly candies include only starch jelly candies. Our technical research and development department, together with our sales and marketing department and production department, conducted market researches, commenced new product development and completed various laboratory tests. We completed trial production of our new products in July 2019 and commenced commercial production in September 2019. For information on our manufacture of jelly candies, please refer to the paragraph headed “Production — Our production facilities — New production line for new category of products” in this section.

SALES OF OUR PRODUCTS

OEM products

We are a manufacturer of various OEM products to customers located in the PRC and overseas countries. Our OEM customers are generally brand owners or licensees of domestic or international brands which engaged in the sale of confectionary products, including trading and sourcing companies. During the Track Record Period, our OEM products included gum-based candies, tablet candies, aerated candies and hard candies. We manufacture our products with our OEM customers’ brand names according to their requirements and specifications, including styles, flavours, quantities, packaging and their designated national industry standards.

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The following table sets forth a breakdown of our revenue from our OEM customers by shipment location of orders for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
PRC ⁽¹⁾	135,904	71.1	153,524	71.2	153,946	76.0	89,313	74.7	79,787	80.2
Overseas	55,339	28.9	62,033	28.8	48,743	24.0	30,312	25.3	19,733	19.8
— Europe ⁽²⁾	30,985	16.2	42,160	19.6	28,626	14.1	19,564	16.3	11,342	11.4
— Asia (excluding the PRC) ⁽³⁾	14,941	7.8	10,851	5.0	15,623	7.7	8,153	6.8	6,960	7.0
— Africa ⁽⁴⁾	1,102	0.6	—	—	—	—	—	—	—	—
— Others ⁽⁵⁾	8,311	4.3	9,022	4.2	4,494	2.2	2,595	2.2	1,431	1.4
Total	191,243	100.0	215,557	100.0	202,689	100.0	119,625	100.0	99,520	100.0

Notes:

- (1) Included our sales to Gary & Bros Confectionary and to PRC exporters exporting to Ecuador, Ghana, Nigeria, Panama, Costa Rica and the United Kingdom.
- (2) Included our sales to Germany, Poland, the United Kingdom, Ukraine, Lithuania, Czech Republic, Denmark, Ireland, Netherlands, Spain, Italy, Russia, France and Belgium.
- (3) Included our sales to the Philippines, United Arab Emirates, Palestine, Jordan, Korea, Kuwait, Indonesia, Mongolia and Vietnam.
- (4) Included our sales to Cote d'Ivoire, Guinea and Togo.
- (5) Included our sales to Australia, Argentina, Brazil, Canada, Ecuador, Haiti, Honduras, Mexico, the United States and Paraguay.

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we sold our OEM products to 33, 33, 37 and 22 customers, respectively, and generated revenue of approximately RMB191.2 million, RMB215.6 million, RMB202.7 million and RMB99.5 million, respectively, from the sales of OEM products, representing approximately 53.8%, 56.6%, 48.9% and 41.8% of our total revenue during the corresponding years/periods, respectively. As part of our sales and marketing activities, we participated in international trade shows and exhibitions in the PRC and overseas countries. In 2017, we participated in an international trade show in Africa for business development. Having considered the small amount of orders received from customers in Africa in 2017, we decided to focus our resources on business development in other overseas countries and, thus, we did not attend any trade show in Africa and did not receive any order from customers in Africa since 2018.

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Key terms of OEM sales contracts

For direct sales to our OEM customers, we generally enter into annual framework sales contracts with our customers directly and common terms of the sales contracts include the following:

- Duration: One year. The sales agreements have an automatic renewal clause.
- Our responsibilities: We shall strictly adhere to the customer's production requirement, including styles, packaging, quantities, quality and national industry standards.
- Price: Price of goods shall be specified in individual sales orders.
- Settlement method: The transaction amounts shall be settled on monthly basis.
- Transportation costs: Generally on an FOB (free on board) basis. We are generally responsible for the costs of delivering our products to locations designated by OEM customers such as designated ports or warehouses in the PRC.
- Inspection of products: Customers are required to inspect products and notify us of any quality defects within three days of receipt.

During the Track Record Period, we generally granted our OEM customers credit period of up to 180 days having considered the length of our business relationship and past trading records with them.

Own-branded products

In addition to manufacturing confectionary products under OEM arrangements, we sell our products under our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王), to our distributors and end-consumers. During the Track Record Period, our own-branded products generally include gum-based candies, tablet candies, aerated candies and hard candies.

Information of these brands is as follows:

Coolsa (酷莎)



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<i>Brand positioning:</i>	Modern, stylish, cool and fresh
<i>Target end-consumers:</i>	Children, teenagers and adults
<i>Products:</i>	Confectionary products and non-confectionary products, such as yoghurt flavoured drink
<i>Categories of confectionary products:</i>	Primarily tablet candies, aerated candies and hard candies
<i>Number of product offerings (including products in different flavours) in the eight months ended 31 August 2020:</i>	174
<i>Suggested retail price:</i>	Generally ranging from RMB0.5 per one lollipop candy of 10 g to RMB30 per pack of tablet candies of 180 g
<i>Sales channels:</i>	(i) Sales to distributors which on-sell our products to their sub-distributors or end-consumers generally at hypermarkets, supermarkets, grocery stores and tuck shops and (ii) sales to end-consumers through our e-commerce platform
<i>History with our Group:</i>	Launched by our Group in 2003

Lalabo (拉拉卜)



<i>Brand positioning:</i>	Classic and kid-friendly
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<i>Target end-consumers:</i>	Children
<i>Products:</i>	Confectionary products
<i>Categories of confectionary products:</i>	Primarily hard candies and gum-based candies
<i>Number of product offerings (including products in different flavours) in the eight months ended 31 August 2020:</i>	17
<i>Suggested retail price:</i>	Generally ranging from RMB0.5 per one lollipop candy of 10.5 g to RMB5.0 per bottle of chewing gum of 45 g
<i>Sales channels:</i>	(i) Sales to distributors which on-sell our products to their sub-distributors or end-consumers generally at grocery stores and tuck shops and (ii) sales to end-consumers through our e-commerce platform
<i>History with our Group:</i>	Launched by our Group in 2000

Jiujiuwang (久久王)



<i>Brand positioning:</i>	Traditional and affordable
<i>Target end-consumers:</i>	Children
<i>Products:</i>	Confectionary products
<i>Categories of confectionary products:</i>	Primarily gum-based candies
<i>Number of product offerings (including products in different flavours) in the eight months ended 31 August 2020:</i>	4
<i>Suggested retail price:</i>	Generally ranging from RMB1.0 per bag of filled chewing gums of 17.5 g to RMB25.0 per can of bubble gums of 760 g

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Sales channels: Sales to distributors which on-sell our products to their sub-distributors or end-consumers generally at grocery stores and tuck shops

History with our Group: Launched by our Group in 1999

We promote the recognition of our own brands through different advertising and promotion channels to increase brand awareness. Our products are typically sold to distributors and end-consumers through e-commerce platforms in the PRC.

As advised by Frost & Sullivan, our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王) have been launched for years and are now have both online presence in the major e-commerce platform, i.e. Tmall.com, and physical presence in different retail stores such as “Carrefour”, covering 21 provinces in the PRC. Furthermore, our Coolsa brand has been awarded the “Well-known Trademark of Fujian Province” by Industry and Commerce Administration Bureau of Fujian Province in 2011 and our product named “Coolsa 9g Breath Freshener” under our Coolsa brand has also been awarded as the “Top Ten Classic Chinese invested Candies” by China National Confectionary Association. In view of our marketing effort, we continue to promote our own-branded products and our products can be found from different online/offline platforms.

The table below sets forth a breakdown of our revenue generated from (i) offline sales of our own-branded products to distributors and (ii) online sales of our own-branded products to end-consumers through e-commerce platform for the years/periods indicated:

	Year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Offline sales to distributors	163,415	99.3	159,752	96.7	199,916	94.6	132,645	94.7	133,515	96.5
Online sales to end-consumers	1,135	0.7	5,506	3.3	11,477	5.4	7,419	5.3	4,819	3.5
	<u>164,550</u>	<u>100.0</u>	<u>165,258</u>	<u>100.0</u>	<u>211,393</u>	<u>100.0</u>	<u>140,064</u>	<u>100.0</u>	<u>138,334</u>	<u>100.0</u>

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we generated revenue amounted to approximately RMB164.6 million, RMB165.3 million, RMB211.4 million and RMB138.3 million, respectively, from the sales of our own-branded products, representing approximately 46.2%, 43.4%, 51.1% and 58.2% of our total revenue during the corresponding years/periods, respectively.

Offline sales to distributors

For sales of products under our own brands, we mostly sell our products to our distributors, which are generally wholesalers and traders engaged in the trading of food products including sugar confectionary products, across the PRC, who in turn distribute and sell our products to their sub-distributors and retailers in the specified region, including hypermarkets, supermarkets, grocery stores,

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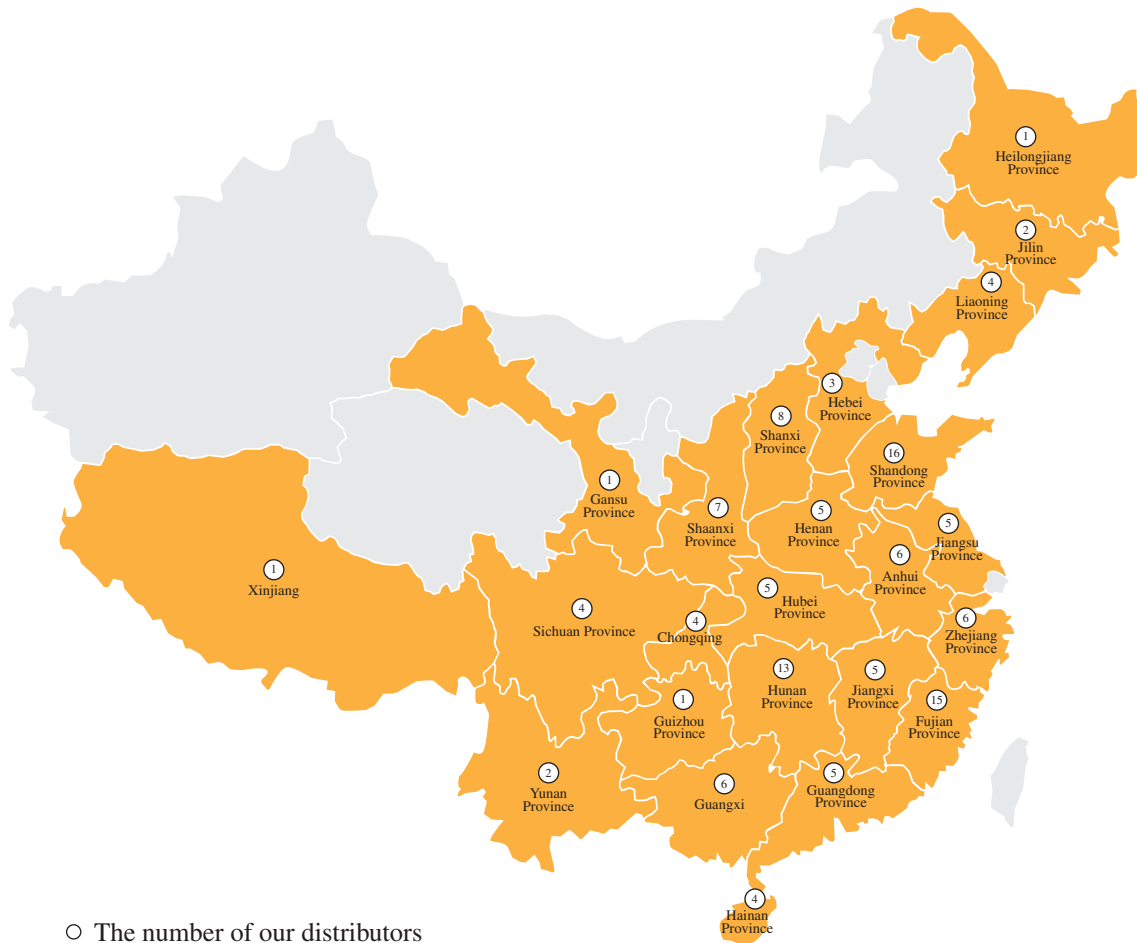
neighbourhood stores and school snack stalls. As at 31 August 2020, we engaged 129 distributors and have established an extensive distribution network covering one municipal city, two autonomous regions and 21 provinces in the PRC.

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we generated revenue amounted to approximately RMB163.4 million, RMB159.8 million, RMB199.9 million and RMB133.5 million, respective, from the sales of our own-branded products to distributors. For the year ended 31 December 2018, there was a decrease in our sales to distributors of approximately RMB3.7 million, representing a decrease of approximately 2.2%, when comparing to the revenue generated from our sales to distributors for the year ended 31 December 2017. Such decrease was mainly attributable to the drop in the number of distributors in 2018 resulted from the streamlining of our distribution network by termination of business relationship with under-performing distributors. For details, please refer to the paragraphs headed “Offline sales to distributors — Management of our distributors” in this section. For the year ended 31 December 2019, there was an increase in our sales to distributors of approximately RMB40.2 million, representing an increase of approximately 25.1%, when comparing to the revenue generated from our sales to distributors for the year ended 31 December 2018. Such increase was mainly attributable to the success of our streamlined distribution network which improved our cost effectiveness and efficiency in managing our distributors and the increase in the number of distributors in 2019. Leveraging on (i) the success of the streamlined distribution network, (ii) the enhanced performance of our distributors and the growth of their business, (iii) the increase in the number of sub-distributors of our top five distributors to 620 as at 31 December 2019 from 410 as at 31 December 2018 and (iv) the expansion of geographical coverage of sales network of the sub-distributors of our top five distributors to 12 provinces in the PRC in 2019 from six provinces in 2018, the sales to our top five distributors increased to approximately RMB69.5 million for the year ended 31 December 2019 from approximately RMB34.7 million for the year ended 31 December 2018. To the best of the Directors’ information, knowledge and belief, the increase in sales to our top five distributors for the year ended 31 December 2019 was mainly attributable to (i) the aforementioned success of the streamlined distribution network, (ii) the additional marketing and promotion efforts of our top five distributors which conducted physical visits to introduce our products to their existing or new sub-distributors in view of the generally satisfactory sales performances of our products, as evidenced by the increase in the sales to such top five distributors from approximately RMB34.7 million for the year ended 31 December 2018 to approximately RMB69.5 million for the year ended 31 December 2019 while the number of sub-distributors engaged by such top five distributors rose from 410 for the year ended 31 December 2018 to 620 for the year ended 31 December 2019, (iii) the scale of the new sub-distributors engaged by our top five distributors, which were relatively large, as illustrated by the increase in average sales per sub-distributor of such top five distributors (calculated based on our sales to such distributors divided by the number of sub-distributors) from approximately RMB118,000 per sub-distributor for the year ended 31 December 2018 to approximately RMB170,000 per sub-distributor for the year ended 31 December 2019, and they included supermarket chains and/or local supermarkets and hence the demand for our products from these new sub-distributors was generally larger than the demand of traditional grocery stores and/or tuck shops and (iv) the introduction of 134, 105 and 112 new products and the enhancement of 13, 5 and 38 existing products for the years ended 31 December 2017, 2018 and 2019, respectively, which resulted in accumulative positive impact in the year ended 31 December 2019. These new or enhanced products introduced in the year ended 31 December 2019 accounted for approximately 14.8% or RMB29.7 million of our revenue from distributors during the same year. In addition, we recorded growth of sales for existing products by approximately 20.2% or RMB28.6 million for the year ended 31 December 2019 as compared to the year ended 31 December

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2018. Similarly, we recorded growth of sales for new or enhanced products for the year ended 31 December 2019 by approximately 64.2% or RMB11.6 million as compared to the sales of new or enhanced products for the year ended 31 December 2018. Accordingly, we recorded growth of revenue attributable to both existing and new or enhanced products from distributors for the year ended 31 December 2019. For the eight months ended 31 August 2020, our sales to distributors remained relatively stable at approximately RMB133.5 million as compared to that of approximately RMB132.6 million for the eight months ended 31 August 2019, which was primarily attributable to a combined effect of (i) the adverse impact of the outbreak of the COVID-19 in the first quarter of 2020, the situation of which had been gradually improved in the PRC towards the end of 31 August 2020; and (ii) the relatively stable number of distributors which we had transacted with for the eight months ended 31 August 2020 as compared for the year ended 31 December 2019.

The following map illustrates the geographical coverage of our sales and distribution network in the PRC as at 31 August 2020:



We endeavour to leverage on the established access of our distributors to local markets to expand the breadth and depth of our market presence. As at 31 August 2020, the sales and distribution network of our distributors cover one municipal city, two autonomous regions and 21 provinces in the PRC.

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We believe that our existing distribution model is consistent with customary industry practice in the PRC and serves to ensure the efficient coverage of our sales network while controlling our cost of distribution. According to the Frost & Sullivan Report, it is a common industry practice for confectionary product manufacturers to engage distributors for sale of their products in the PRC so as to reach broader customer base. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, our revenue from sales to third party distributors amounted to approximately RMB163.4 million, RMB159.8 million, RMB199.9 million and RMB133.5 million, respectively, representing approximately 45.9%, 42.0%, 48.3% and 56.2% of our total revenue for these corresponding years/periods respectively.

The following table sets forth a breakdown of the number of distributors and revenue from the sales of our own-branded products to our distributors by geographic regions in the PRC for the years/ periods indicated:

	For the year ended 31 December						For the eight months ended 31 August 2020					
	2017			2018			2019			2020		
	Number of distributors	Revenue RMB'000	Percentage of revenue %	Number of distributors	Revenue RMB'000	Percentage of revenue %	Number of distributors	Revenue RMB'000	Percentage of revenue %	Number of distributors	Revenue RMB'000	Percentage of revenue %
East China ⁽¹⁾	80	72,071	44.1	47	59,901	37.5	50	73,042	36.6	57	51,541	38.6
Central China ⁽²⁾	37	29,652	18.2	26	36,126	22.6	34	36,772	18.4	27	21,032	15.7
Southwest China ⁽³⁾	20	13,104	8.0	14	14,540	9.1	16	19,751	9.9	15	13,558	10.2
North China ⁽⁴⁾	12	11,431	7.0	10	12,630	7.9	13	13,993	7.0	12	11,182	8.4
South China ⁽⁵⁾	19	14,549	8.9	14	14,117	8.9	15	17,223	8.6	17	11,060	8.3
Northwest China ⁽⁶⁾	20	14,125	8.6	7	12,192	7.6	9	23,084	11.5	9	14,811	11.1
Northeast China ⁽⁷⁾	8	8,483	5.2	7	10,246	6.4	9	16,051	8.0	8	10,331	7.7
Total	196	163,415	100.0	125	159,752	100.0	146	199,916	100.0	145	133,515	100.0

Notes:

- (1) Included Anhui Province, Shandong Province, Jiangxi Province, Jiangsu Province, Zhejiang Province and Fujian Province.
- (2) Included Henan Province, Hubei Province and Hunan Province.
- (3) Included Yunnan Province, Sichuan Province, Guizhou Province and Chongqing.
- (4) Included Hebei Province, Shanxi Province and Beijing.
- (5) Included Guangdong Province, Guangxi and Hainan Province.
- (6) Included Gansu Province, Shaanxi Province and Xinjiang.
- (7) Included Jilin Province, Liaoning Province and Heilongjiang Province.

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Management of our distributors

Our distributors are typically regional distributors primarily involved in the distribution of our confectionary products with well-established local sales networks. During the Track Record Period, we entered into distribution agreements with our distributors. We also adopted a standardised distribution agreement for our distributors during the Track Record Period and we believe that this helped us to manage our distributors efficiently in a consistent and systematic manner.

We select our distributors in each region based on factors including their business qualifications and distribution capabilities. The distribution capabilities we consider include breadth and quality of sales network, scale of operation, creditworthiness and financial conditions, and capabilities in personnel, warehousing, logistics and transportation.

The following table sets forth the total number of our distributors, the number of new distributors and the number of distributors whose distribution agreements were terminated during the years/periods indicated:

	For the year ended 31 December			For the eight months ended 31 August
	2017	2018	2019	2020
Distributors at the beginning of period	170	113	90	115
Addition of new distributors	26	12	64	44
Termination of existing distributors	<u>83</u>	<u>35</u>	<u>39</u>	<u>30</u>
Distributors at the end of the year/period	<u><u>113</u></u>	<u><u>90</u></u>	<u><u>115</u></u>	<u><u>129</u></u>

During the Track Record Period, our movement of new distributors primarily reflected streamlining of our distribution network by termination of business relationship with under-performing distributors and soliciting new distributors with growth potential as replacement. We streamlined our network and eliminated underperformed distributors in 2017 and in turn improved our cost effectiveness and our efficiency in managing our distributors. When determining whether to continue our cooperation with a certain distributor, we look at various factors including the distributor's ability to meet the expected sales performance it proposed for the year, scale of the sales network (being the number of sub-distributors and the number and location of distribution stores), number of sales agents employed and sales performance. We closely monitor the performance of our distributors and terminate cooperation with those not meeting our requirements in order to optimise our cost of managing these distributors and improve our general operational efficiency and performance. After having assessed the performance of each of the distributors based on the above factors and with a conclusion that the chance of improvement of such distributors is slim, we terminated our cooperation with them. As disclosed in the paragraph headed "Sales of our products — Offline sales to distributors — Relationship with our distributors" in this section, the ownership of our products is transferred to our distributors upon delivery and acceptance. Therefore, we have no obligation to help the distributors dispose of their unsold products when terminating their distribution agreements. During the Track Record Period and up to the Latest

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Practicable Date, we did not buy back any products that had been sold to our distributors. In order to prevent channel stuffing, we have put in place the following measures to expedite the inventory levels of our distributors:

- we monitor the inventory levels of our distributors on monthly basis;
- if there are specific indications and circumstances leading us to believe that our distributors have excessive inventory, we may refuse to sell additional products to them. We assess the inventory levels of our distributors based on the inventory reports submitted by them regularly and information we retrieve from random site visits we conducted;
- we advertise our own-branded products through a wide variety of channels to promote the sales of distributor products. We also encourage them to participate in promotions and advertising activities that have been pre-approved by us; and
- we have a dedicated sales team providing guidance to distributors on how to promote and expedite the sales of products based on our years of experiences in the confectionary industry in the PRC.

We monitor the performance of our distributors through regular inventory reports they submit to us, which, amongst others, show the value of inventory at the price they purchased from us and remaining unsold as at the relevant report date. As at 31 December 2017, 2018 and 2019 and 31 August 2020, the aggregate amounts of our own-branded products remaining unsold by our distributors were approximately RMB3.4 million, RMB3.8 million, RMB3.7 million and RMB3.3 million, respectively.

After consolidating and refining our distributorship, we further continued to develop in regions we consider to be of greater potential of taking in more of our products, such as existing major markets like East China, and regions we previously did not focus on, such as Northwest China. Some of our distributors also expanded their sales network and engaged more sub-distributors, and boosted our revenue significantly in certain regions, such as Northeast China, during the Track Record Period. There was an increase in the number of sub-distributors of our top five distributors to 620 as at 31 December 2019 from 410 as at 31 December 2018. For the year ended 31 December 2018, the sales network of the sub-distributors of our top five distributors covered six provinces in the PRC, being Shandong Province, Liaoning Province, Hainan Province, Fujian Province, Shaanxi Province and Guangdong Province. For the year ended 31 December 2019, the sales network of the sub-distributors of our top five distributors extended to 12 provinces and covered Shandong Province, Liaoning Province, Hainan Province, Shaanxi Province, Fujian Province, Guangdong Province, Hubei Province, Anhui Province, Hunan Province, Henan Province, Jiangxi Province and Jiangsu Province. The number of sub-distributors of our top five distributors in Hainan Province, Shandong Province and Liaoning Province was increased to 499 as at 31 December 2019 from 320 as at 31 December 2018. Such growth of sales network of our top five distributors increased the demand for our Group's products and boosted our sales for the year ended 31 December 2019. The sales to our top five distributors increased to approximately RMB69.5 million for the year ended 31 December 2019 from approximately RMB34.7 million for the year ended 31 December 2018. To the best of the Directors' information, knowledge and belief, the increase in sales to our top five distributors for the year ended 31 December 2019 was mainly attributable to (i) the aforementioned success of the streamlined distribution network, (ii) the additional marketing and promotion efforts of our top five distributors which conducted physical visits to introduce our products to their existing or new sub-distributors in view of the generally satisfactory sales performances of our

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products, as evidenced by the increase in the sales to such top five distributors from approximately RMB34.7 million for the year ended 31 December 2018 to approximately RMB69.5 million for the year ended 31 December 2019 while the number of sub-distributors engaged by such top five distributors rose from 410 to 620 from the year ended 31 December 2018 to the year ended 31 December 2019, (iii) the scale of the new sub-distributors engaged by our top five distributors, which were relatively large, as illustrated by the increase in average sales per sub-distributor of such top five distributors (calculated based on our sales to such distributors divided by the number of sub-distributors) from approximately RMB118,000 per sub-distributor for the year ended 31 December 2018 to approximately RMB170,000 per sub-distributor for the year ended 31 December 2019, and they included supermarket chains and/or local supermarkets and hence the demand for our products from these new sub-distributors was generally larger than the demand of traditional grocery stores and/or tuck shops and (iv) the introduction of 134, 105 and 112 new products and the enhancement of 13, 5 and 38 existing products for the years ended 31 December 2017, 2018 and 2019, respectively, which have resulted in accumulative positive impact in the year ended 31 December 2019. These new or enhanced products introduced in the year ended 31 December 2019 accounted for approximately 14.8% or RMB29.7 million of our revenue from distributors during the same year. In addition, the Group recorded growth of sales for existing products by approximately 20.2% or RMB28.6 million for the year ended 31 December 2019 as compared to the year ended 31 December 2018. Similarly, the Group recorded growth of sales for new or enhanced products for the year ended 31 December 2019 by approximately 64.2% or RMB11.6 million as compared to the sales of new or enhanced products for the year ended 31 December 2018. Accordingly, our Group recorded growth of revenue attributable to both existing and new/enhanced products from distributors for the year ended 31 December 2019.

For the eight months ended 31 August 2020, our sales generated from distributors remained generally stable at approximately RMB133.5 million as compared to approximately RMB132.6 million for the corresponding period in 2019. Our top five distributors for the year ended 31 December 2019 remained as our top five distributors for the eight months ended 31 August 2020. The number of sub-distributors engaged by our top five distributors increased from 620 as at 31 December 2019 to 670 as at 31 August 2020, which had the same coverage of sales network in the 12 provinces of the PRC. The increase in the number of sub-distributors engaged by our top five distributors for the eight months ended 31 August 2020 was mainly due to the increase in number of sub-distributors engaged by one of our top five sub-distributors in Liaoning Province. To the best of the information and knowledge of our Directors, the increase in number of the sub-distributors of such top five distributor in Liaoning Province was primarily resulted from the successful development and expansion of sales network by this top five distributor to a city of Liaoning Province, thereby engaging additional sub-distributors with a wider geographical coverage in Liaoning Province.

During the Track Record Period, we did not have any material disputes and we were not a party to any legal or arbitration proceedings with any of our distributors. During the Track Record Period, we only maintained limited number of distributors in each region in order to minimise any risk of cannibalisation between our distributors.

Relationship with our distributors

We have a seller-buyer relationship with our distributors. The ownership of the products, as well as all risks and rewards associated therewith are transferred to them upon delivery and acceptance. In general, our sales to our distributors are generally made on a payment-before-delivery basis with our

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distributors, we may, at our sole discretion, grant credit terms ranging from three to six months after delivery of our products to certain major distributors. We formulate a monthly production plan based on historical sales performance and purchase orders confirmed. Once the products are delivered to the distributors in accordance with the purchase orders, they cannot be returned except for defective products. Therefore, there is no obsolete stock at our end.

On the other hand, we closely monitor the performance of our distributors. For example, our sales personnel conduct inspections of our distributors from time to time to monitor their sales, marketing activities, storage conditions, logistics facilities, staff quality, quality control and inventory levels. Our distributors will report to us their inventory records to cross-check with our internal data base. Our staff would also conduct inventory checks at distributors from time to time and our distributors submit regular inventory reports to us. We prohibit our distributors from selling any expired products and selling our products not within their designated geographic regions without our prior consent. We encourage our distributors to report to us whether other distributors are selling our products at their designated geographic regions or whether other distributors sell any counterfeit products. Through these reporting and our monitoring work, we ensure that our sales to distributors reflect genuine market demand and our distributors are complying with the terms and conditions of our distribution agreements. If we discover any non-compliance issues, we would inform the relevant distributor and consider termination of distribution agreement. Our distributors are also liable for breaches of their distribution agreements, and we can claim compensation from them for relevant breaches. We can terminate the distribution agreements if they breach material provisions stipulated therein. During the Track Record Period and up to the Latest Practicable Date, there was no termination of distribution agreement due to breach of material provisions of the agreement by any of our distributors. As at the Latest Practicable Date, all trade receivables from our distributors as at 31 August 2020 were subsequently settled.

We have business relationship with our five largest distributors during the Track Record Period for an average of approximately 11 years. Our Directors confirmed that, past and present directors, shareholders or beneficial owners and senior management of our five largest distributors during the Track Record Period are all Independent Third Parties and have no past or present relationships and

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dealings, such as family, business, employment, trust, financing or otherwise, with our Group and our shareholders, Directors, senior management or any of their respective associates. The tables below set out the background information of the five largest distributors during the Track Record Period:

For the year ended 31 December 2017

Rank	Distributors	Major products we sold	Background and principal business	Years of business relationship as at the Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total revenue	
						RMB'000	%
1	Jinjiang Huifa Food Trading Company Limited* (晉江市匯發食品貿易有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB1.08 million and principally engages in the wholesale and trading of food in Fujian Province.	Approximately 17 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	8,621	2.4
2	Putian Huangmin Trading Development Company Limited* (莆田市煌民貿易發展有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB3 million and principally engages in the trading of snacks in Fujian and Xiamen with about 50 employees.	Approximately 12 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	7,873	2.2
3	Haikou Dongbo Trading Company Limited* (海口東波貿易有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB0.5 million and principally engages in wholesale of snacks in Hainan Province with about 70 employees.	Approximately 16 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	7,299	2.1
4	Linyi Dawei Trading Company Limited* (臨沂大為商貿有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB0.5 million and principally engages in the sale of food products in Shandong with about 70 employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	6,097	1.7
5	Shaanxi Xinlikang Trading Company Limited* (陝西新利康商貿有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB1 million and principally engages in the wholesale of food products in Shaanxi with about 30 employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	5,809	1.6
Subtotal						35,699	10.0
All other customers						320,094	90.0
Total						355,793	100.0

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For the year ended 31 December 2018

Rank	Distributors	Major products we sold	Background and principal business	Years of business relationship as at the Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total revenue	
						RMB'000	%
1	Putian Huangmin Trading Development Company Limited* (莆田市煌民貿易發展有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB3 million and principally engages in the trading of snacks in Fujian and Xiamen with about 50 employees.	Approximately 12 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	9,958	2.6
2	Haikou Dongbo Trading Company Limited* (海口東波貿易有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB0.5 million and principally engages in wholesale of snacks in Hainan Province with about 70 employees.	Approximately 16 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	6,762	1.8
3	Linyi Dawei Trading Company Limited* (臨沂大為商貿有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB0.5 million and principally engages in the sale of food products in Shandong with about 70 employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	6,444	1.7
4	Shaanxi Xinlikang Trading Company Limited* (陝西新利康商貿有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB1 million and principally engages in the wholesale of food products in Shaanxi with about 30 employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	6,097	1.6
5	Shenyang Heping Shangyouliangpin Food Firm* (瀋陽市和平區優尚良品食品商行)	Our own-branded products	A sole proprietor established in the PRC which principally engages in the retail of candies in Liaoning with two employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	5,437	1.4
Subtotal						34,698	9.1
All other customers						346,117	90.9
Total						<u>380,815</u>	<u>100.0</u>

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For the year ended 31 December 2019

Rank	Distributors	Major products we sold	Background and principal business	Years of business relationship as at the Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total revenue	
						RMB'000	%
1	Putian Huangmin Trading Development Company Limited* (莆田市煌民貿易發展有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB3 million and principally engages in the trading of snacks in Fujian and Xiamen with about 50 employees.	Approximately 12 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	16,817	4.1
2	Haikou Dongbo Trading Company Limited* (海口東波貿易有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB0.5 million and principally engages in wholesale of snacks in Hainan Province with about 70 employees.	Approximately 16 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	14,454	3.5
3	Linyi Dawei Trading Company Limited* (臨沂大為商貿有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB0.5 million and principally engages in the sale of food products in Shandong with about 70 employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	13,824	3.3
4	Shaanxi Xinlikang Trading Company Limited* (陝西新利康商貿有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB1 million and principally engages in the wholesale of food products in Shaanxi with about 30 employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	12,603	3.0
5	Shenyang Heping Shangyouliangpin Food Firm* (瀋陽市和平區優尚良品食品商行)	Our own-branded products	A sole proprietor established in the PRC which principally engages in the retail of candies in Liaoning with two employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	11,808	2.9
Subtotal						69,506	16.8
All other customers						344,576	83.2
Total						414,082	100.0

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For the eight months ended 31 August 2020

Rank	Distributors	Major products we sold	Background and principal business	Years of business relationship as at the Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total revenue	
						RMB'000	%
1	Putian Huangmin Trading Development Company Limited* (莆田市煌民貿易發展有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB3 million and principally engages in the trading of snacks in Fujian and Xiamen with about 50 employees.	Approximately 12 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	10,441	4.4
2	Linyi Dawei Trading Company Limited* (臨沂大為商貿有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB0.5 million and principally engages in the sale of food products in Shandong with about 70 employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	8,603	3.6
3	Shaanxi Xinlikang Trading Company Limited* (陝西新利康商貿有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB1 million and principally engages in the wholesale of food products in Shaanxi with about 30 employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	7,951	3.3
4	Shenyang Heping Shangyouliangpin Food Firm* (瀋陽市和平區優尚良品食品商行)	Our own-branded products	A sole proprietor established in the PRC which principally engages in the retail of candies in Liaoning with two employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	7,388	3.1
5	Haikou Dongbo Trading Company Limited* (海口東波貿易有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB0.5 million and principally engages in wholesale of snacks in Hainan Province with about 70 employees.	Approximately 16 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer	7,343	3.1
Subtotal						41,726	17.5
All other customers						196,128	82.5
Total						<u>237,854</u>	<u>100.0</u>

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To the best knowledge of our Directors, our distributors were Independent Third Parties, and none of our distributors was wholly owned or majority controlled by our current or ex-employees or operated under our brand during the Track Record Period. None of our major distributors were our suppliers during the Track Record Period. During the Track Record Period, we did not provide financing to any of our major distributors except for the credit terms we granted to certain distributors, subsidies for discount promotions, which refers to subsidies we offer to distributors for participating in promotion campaigns of different stores or supermarkets for subsidising relevant promotion costs such as cost on setting up campaign booths, and administration expense in relation to distribution to supermarkets such as shelf-space fee and we did not have any material goods return from our distributors in all material respects.

Key terms of distribution agreements

We generally enter into distribution agreements with our distributors on an annual basis. We use a standardised distribution agreement for all of our distributors, which helps us efficiently manage our distributors and ensure an orderly market for our products. During the Track Record Period, the key terms of our standardised distribution agreement included:

- Duration: One year. The distribution agreements have an automatic renewal clause.
- Designated distribution area: Distributors are not allowed to sell or resell our products outside of their designated distribution areas without our prior consent. They are also responsible for monitoring their own clients and sub-distributors for the compliance of which. We have the contractual right to impose penalties and terminate the distribution agreement for non-compliance with this requirement. We agree to maintain an orderly market such that no distributor would distribute our products in the designated distribution area of another distributor without our approval.
- Order confirmation: We shall arrange for the type and quantity of products to be delivered considering factors including types and quantities of products planned for production, the actual production status and market demand, after receiving purchase orders of the distributors.
- Price: Transaction amounts shall be settled via telegraphic transfer or other methods permitted by our business or finance department in writing.
- Distribution price management: We generally provide our suggested unit sales price to our distributors having considered, among others, market positioning of our products and our distributors can sell our products to their sub-distributors at such suggested price.
- Transportation costs: Depending on the delivery method agreed, we may be responsible for the costs of delivering our products to a location designated by distributors, or the distributors may be responsible for the transportation arrangement and the full transportation cost.
- Inspection of products: Distributors are required to inspect products immediately following receipt and notify us of any quality defects or whether the products are delivered in accordance with their purchase orders.

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- Early termination right: We may terminate a distribution agreement if the distributor fails to fulfil certain obligations explicitly set forth in the agreement.

Sub-distributors

We do not have contractual relationships with the sub-distributors used by our distributors. These sub-distributors generally include retailers, such as hypermarkets, supermarkets, grocery stores and tuck shops, forming a nationwide sales network with broad customer base. We delegate to our distributors the authority to choose and negotiate transaction terms directly with their sub-distributors to reduce our management pressure. We rely on our distributors to limit their sub-distributors' activities within the distributor's designated distribution area and to monitor the performance of their sub-distributors. We do, however, monitor the sales by sub-distributors indirectly through inspecting the purchase volumes and inventory information of our distributors and the sales prices and sales volume in the ultimate retail market and carrying out on-site visits to the sub-distributors, communicating with them and collecting feedback and information from them from time to time. We gather this data to monitor the inventory level of sub-distributors in order to prevent the loading of inventory by our distributors to their sub-distributors. When we notice any subpar performance or non-compliance of a sub-distributor, we will require the corresponding distributor to take necessary action to rectify the sub-distributor's activities. We may also terminate a distribution agreement with a distributor upon the occurrence of any material breach of our distribution agreement by their sub-distributors.

Online sales to end-consumers

We also sell our products of our own brand to consumers through e-commerce channel on Tmall.com. We started operating a flagship store on Tmall.com in 2013. Through such third party e-commerce platform, end-consumers can purchase our products directly from our Group. After an order is confirmed, we would arrange for delivery of our products to the end-consumers. During the Track Record Period and up to the Latest Practicable Date, we did not own any e-commerce platform for sale of our products to end-consumers. As advised by our PRC Legal Advisers, our Group is not required to obtain ICP licence in the PRC for our online sales of products through e-commerce platform because (i) only the first-level website domain owners of the e-commerce platforms are required to obtain ICP licence in the PRC and (ii) users who operate online flagship stores on these e-commercial platforms are not required and cannot be registered for ICP licence as they only operates under the domain name of these e-commerce platforms. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, our revenue from e-commerce channel was approximately RMB1.1 million, RMB5.5 million, RMB11.5 million and RMB4.8 million, respectively. We will expand our e-commerce sales network through the operation of our flagship online store and increasing the number of online stores on different e-commerce platforms. We may also develop differentiated products that are more appealing to e-commerce customers.

MARKETING AND PROMOTION

Throughout our operation for more than 20 years, we have established an extensive sales and distribution network with a diverse customer base covering OEM customers and distributors. Our sales and marketing department, comprising 82 staff as at the Latest Practicable Date, is responsible for the marketing, promotion and sales of our OEM products and own-branded products. Such department is led by Mr. Pei Huiming (裴慧鳴), our chief marketing officer, who has over 15 years of experience in sales and marketing in the food and confectionary industry in the PRC. For further information about the

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experience and qualification of our senior management, please refer to the section headed “Directors and senior management” in this prospectus. Our staff from the sales and marketing department visit our OEM customers and our distributors on a regular basis for feedback on our products and providing further assistance. We also collect market intelligence to enhance our understanding of and ability to respond to consumers’ change in tastes and preferences.

For our OEM business, we carry out our sales and marketing activities mainly through participating in international trade shows and exhibitions in the PRC and overseas countries. During the Track Record Period, we attended various trade shows and exhibitions, including the ISM Cologne held in Cologne, Germany, the World Food Moscow held in Moscow, Russia, the Hotel Show Africa held in Johannesburg, South Africa, the Sweet & Snacks Expo in Chicago, the United States and the Yummex Middle East held in Dubai, United Arab Emirates. We consider that these marketing events are important and enable us to promote our products and expand our customer base to overseas countries. Our staff from the sales and marketing department also visit our potential and existing OEM customers from time to time to promote our products.

For our own-branded products, our sales and marketing department is responsible for developing our distribution network and managing our distributors in the PRC. Our staff from the sales and marketing department would visit our potential and existing distributors from time to time for developing an effective distribution network. We believe it is important for us to promote the recognition of our brands through different advertising and promotion channels in order to increase the demand for our products and maintain the brand awareness of our products. Therefore, we undertake various promotional activities to improve sales and to enhance brand recognition. To further promote our brands, we encourage our distributors to participate in promotional campaigns and marketing activities of hypermarkets or supermarkets and provide our distributors with subsidies or sponsorship as incentives. We also operate an online flagship store to maintain our e-commerce presence to strengthen our brand awareness in the PRC. We are increasing our focus on online marketing and participate in online promotions during shopping festivals.

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, our marketing and promotion expenses were approximately RMB11.6 million, RMB11.1 million, RMB11.8 million and RMB6.0 million, respectively, equivalent to approximately 3.3%, 2.9%, 2.8% and 2.5% of our total revenue for these respective years/periods. We recorded relatively less marketing and promotional expenses for the eight months ended 31 August 2020, which was mainly due to limited marketing activities being carried out in view of the outbreak of the COVID-19.

PRODUCTION

Production planning

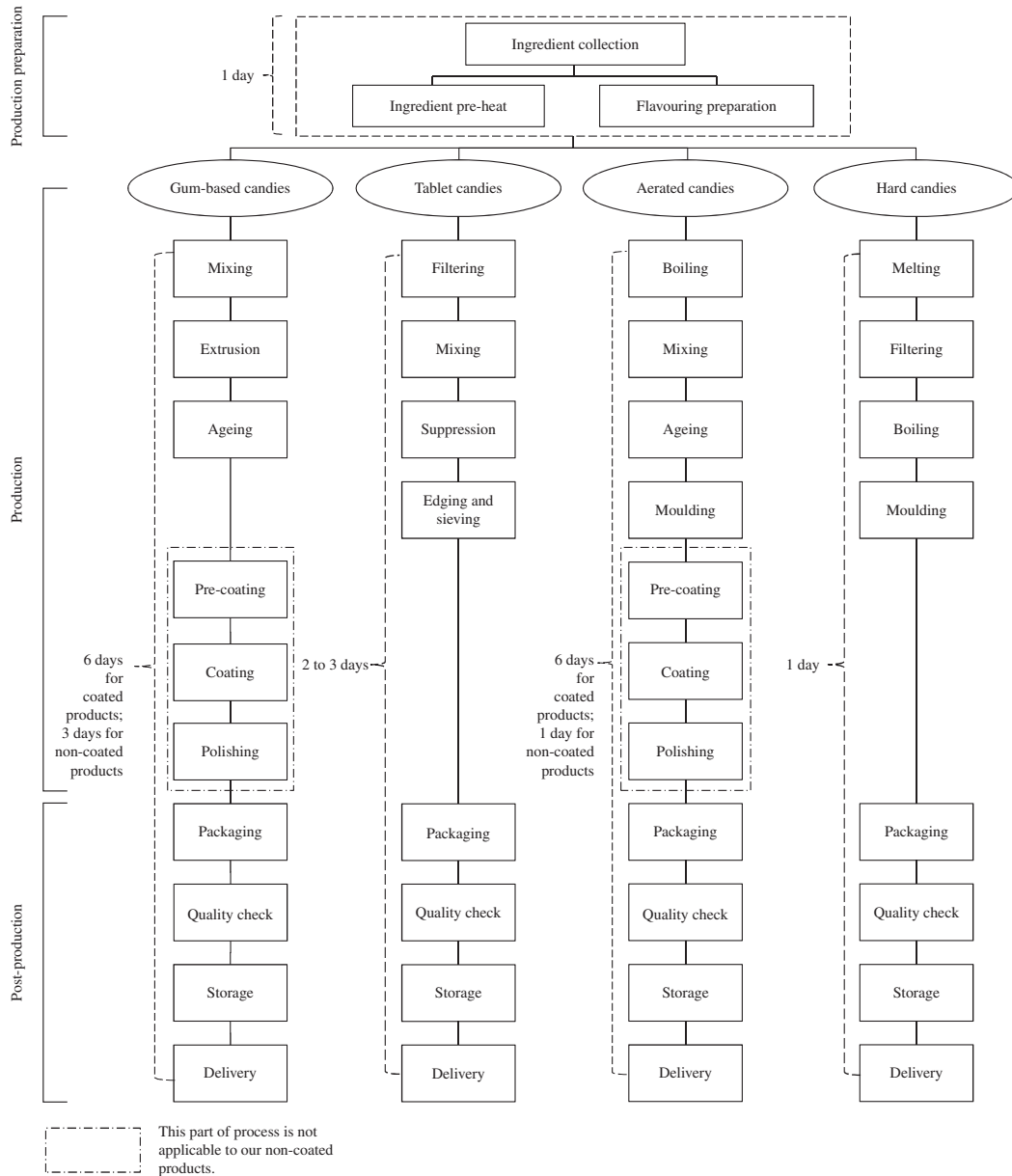
We generally plan our production schedule based on confirmed orders from our OEM customers and distributors and our projection of the demand for our own-branded products orders having considered the level of our inventory. We allocate our production resources for manufacture of our OEM products and our own-branded products based on confirmed orders from customers after taking into account our production capacities on manufacturing different categories of confectionary products. Based on our production schedule, we procure necessary raw materials and packaging materials for the

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manufacture of our products. For further information about our raw material procurement, please refer to the paragraph headed “Raw materials and quality control — Procurement of raw materials” in this section.

Production process

Set out below is our standard production process:



Production preparation

Before we commence our production process, we would collect and gather different types of ingredients, such as white sugar, liquid glucose syrup, Xylitol, Sorbitol, colourings and/or flavouring essence required for production of our confectionary products according to the formulae of each of our products. We would pre-heat our ingredients and prepare for different flavours pursuant to our recipes.

Production

The work process of different categories of confectionary products varies.

Gum-based candies: We would mix and extrude the ingredients and have the semi-finished products aged under constant temperature and humidity in order to achieve the required physical characteristics. Then, our gum-based candies would be moulded into different shapes. If we need to produce coated gum-based candies, we would need to prepare necessary ingredients and have the semi-products coated and polished.

Tablet candies: We would filter and mix the ingredients. Then, we would press the semi-finished products into certain shapes and have them polished and sieved.

Aerated candies: We would boil and mix the ingredients at different temperatures and inject air into the semi-finished products under high speed. We would then have them aged under constant temperature and humidity in order to achieve the required physical characteristics. Our aerated candies would be moulded into different shapes. If we need to produce coated aerated candies, we would need to prepare necessary ingredients and have the semi-products coated and polished.

Hard candies: We would melt, filter and boil the ingredients at different temperature. Our hard candies would be moulded into different shapes.

We would check the quality of our semi-products during the production process to ensure that the finished products could meet our quality standard. For further information about our quality control measures, please refer to the paragraph headed “Raw materials and quality control — Quality control mechanism” in this section.

Post-production

After we complete our production process, we would pack the finished products into different packages according to different requirements and specifications. We would also perform quality check and examine our finished products, such as their appearances and net weights before they leave our production plants. We would store our products at our warehouse and deliver them to our customers according to their purchase orders. For further information about our inventory control and logistics arrangement, please refer to the paragraph headed “Raw materials and quality control — Inventory control and logistics” in this section.

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Our production facilities

As at the Latest Practicable Date, we operated our own factory in Jinjiang City, Fujian Province, the PRC with a total of 32 production lines. We generally procure and import our production lines in the PRC and other countries such as Netherlands and Italy.

We manufacture our confectionary products in-house. We believe that this would allow us to launch new products that are customised to the needs of end-consumers and maximise our control over product quality and food safety.

The table below sets forth our number of production lines and production capacity, production volume and utilisation rate for the products we manufactured during the Track Record Period:

	2017				As at/For the year ended 31 December 2018				2019				As at/For the eight months ended 31 August 2020			
	Number of production lines ⁽¹⁾	Production capacity ⁽²⁾ (tonne)	Production volume (tonne)	Utilisation rate ⁽⁴⁾ (%)	Number of production lines ⁽¹⁾	Production capacity ⁽²⁾ (tonne)	Production volume (tonne)	Utilisation rate ⁽⁴⁾ (%)	Number of production lines ⁽¹⁾	Production capacity (tonne)	Production volume (tonne)	Utilisation rate ⁽⁴⁾ (%)	Number of production lines ⁽¹⁾	Production capacity ⁽³⁾ (tonne)	Production volume (tonne)	Utilisation rate ⁽⁴⁾⁽¹²⁾ (%)
Gum-based candies ⁽⁶⁾	9	5,082.0	6,262.6	123.2 ⁽⁵⁾	9	5,266.8	6,223.4	118.2 ⁽⁵⁾	9	5,266.8	5,531.9	105.0 ⁽⁵⁾	9	3,511.2	3,504.7	99.8
Tablet candies ⁽⁷⁾	12	1,515.4	1,384.8	91.4	12	1,713.4	1,529.1	89.2	12	1,713.4	1,694.6	98.9	12	1,142.2	1,021.5	89.4
Aerated candies ⁽⁸⁾	6	3,440.8	2,586.7	75.2	6	3,696.0	2,406.1	65.1	6	3,696.0	2,508.1	67.9	6	2,464.0	1,364.6	55.4
Hard candies ⁽⁹⁾	3	1,412.4	1,317.8	93.3	3	1,570.8	1,232.7	78.5	3	1,570.8	1,345.0	85.6	3	1,047.2	685.3	65.4
Jelly candies ⁽¹⁰⁾	—	—	—	—	—	—	—	—	1	1,100.0	1,022.7	93.0	1	1,760.0	701.9	39.9
Subtotal	30	11,450.6	11,551.9	100.9	30	12,247.0	11,391.3	93.0	31	13,347.0	12,102.3	90.7	31	9,924.6	7,278.0	73.3
Other products ⁽¹¹⁾	1	158.4	29.8	18.8	1	158.4	32.9	20.8	1	158.4	13.2	8.3	1	105.6	7.5	7.1
Total	31	11,609.0	11,581.7	99.8	31	12,405.4	11,424.2	92.1	32	13,505.4	12,115.5	89.7	32	10,030.2	7,285.5	72.6

Notes:

- (1) They refer to the number of production lines as at 31 December 2017, 2018 and 2019 and 31 August 2020. In September 2019, we introduced a new production line for manufacture of jelly candies. Thus, we had 32 production lines as at the Latest Practicable Date.
- (2) Production capacity is calculated based on the output of our products per month and assuming that our production facilities operate 8 hours per day and 330 days per year. Our production capacity would be increased in the month when a new production line commences its production.
- (3) For the eight months ended 31 August 2020, the production capacity is calculated on a pro-rata basis utilising the annual production capacity for the year ended 31 December 2019 which is calculated in accordance with note (2).
- (4) Utilisation rate is calculated based on the actual production volume for the relevant year divided by the maximum production capacity.
- (5) The high utilisation rates during the Track Record Period were mainly due to the fact that we adjusted our working hours on an as-needed basis to meet our production needs.
- (6) We introduced a new production line for manufacture of gum-based candies in August 2017.
- (7) We introduced a new production line for manufacture of tablet candies in June 2017.
- (8) We introduced a new production line for manufacture of aerated candies in September 2017.
- (9) We introduced a new production line for manufacture of hard candies in September 2017.

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- (10) A new production line for manufacture of jelly candies was introduced in September 2019. The production capacity is calculated based on its monthly production capacity.
- (11) Refers to non-candy products such as chocolate-coated rice cracker bars. During the Track Record Period, the revenue we generated from the sales of rice cracker bars was not significant.
- (12) Due to the outbreak of the COVID-19, the local authority in Fujian Province required enterprises to delay the resumption of work from the Chinese Lunar New Year in 2020 to not earlier than the mid-night of 9 February 2020. Our Group resumed normal production level in early March 2020. Therefore, there was a decrease in our utilisation rate for the eight months ended 31 August 2020.

We believe that our future success, in part, depends on our ability to enhance our production capabilities, which include increasing our production utilisation rate, improving our production efficiency, acquiring and upgrading equipment and production facilities and modifying our existing production processes. Therefore, we plan to increase the number of our production lines in the future.

New production line for new category of products

To expand our product offerings and the categories of our confectionary products, we have installed various machines for a new production line for manufacture of jelly candies as a new category of our products as at the Latest Practicable Date. In order to facilitate the expansion of our production capacity, construction of a new factory building at our factory premises was carried out and has been completed and we have obtained the necessary property ownership certificate of the building in March 2019. We carried out testing of the production line in May 2019 and completed trial production in August 2019 and commercial production commenced in September 2019. It is also expected that the new production line would have an annual production capacity of 2,640 tonnes assuming that it will operate 8 hours per day and 330 days per year. For information on our investment costs, please refer to the paragraph headed “Our business strategies — Expansion of our production capacities — New production line for a new category of products” in this section.

New production lines for existing products

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, our utilisation rates for manufacture of confectionary products reached approximately 100.9%, 93.0%, 90.7% and 73.3%, respectively. In particular, the utilisation rates of our production lines for manufacture of gum-based candies reached approximately 123.2%, 118.2%, 105.0% and 99.8% for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively, while the utilisation rates of our production lines for manufacture of tablet candies reached approximately 91.4%, 89.2%, 98.9% and 89.4% for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively. As at 1 January 2017, we had 27 production lines. To meet the increasing demand for our products and enhance our production capabilities, we introduced four new production lines for manufacture of each of gum-based candies, tablet candies, aerated candies and hard candies in 2017. In September 2019, we introduced one new production line for manufacture of jelly candies, with a utilisation rate of approximately 93.0% and 39.9% for the year ended 31 December 2019 and the eight months ended 31 August 2020, respectively. As at 31 December 2017, 2018 and 2019 and 31 August 2020, the total number of our production lines were 31, 31, 32 and 32, respectively. Notwithstanding our introduction of new production lines and our increase in production capacity, the utilisation rates for the production of our products generally exceeded 90% for the three years ended 31 December 2019 and our production facilities were generally fully utilised and

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exceeded our designed production capacity in certain months of the year leading to the holiday and festive seasons. We recorded relatively lower utilisation rate for the eight months ended 31 August 2020, which was mainly due to the temporary suspension of production in the first quarter of 2020 as a result of the measures in response to the outbreak of the COVID-19. Our Group resumed normal operations in early March 2020.

Having considered the utilisation rates of our production lines and the growth of our business, we intend to introduce six new production lines for manufacture of gum-based candies and three new production lines for manufacture of tablet candies by commencing installation between March and May 2022. To ensure that the quality of products to be manufactured by the new production lines are consistent with that of our existing products and to shorten the time on testing and adjusting the new production lines, we intend to purchase new production lines for manufacture of our existing products which are the same as our existing production lines. We believe that with the same machine and equipment for manufacture of existing products, we can avoid possible change in product quality and operation errors due to an introduction of new production line. It is expected that we will commence trial production from around June to August 2022 and will commence commercial production in or around September 2022 tentatively. The production capacity of the new production lines are the same as our existing production lines. It is expected that the new production lines would have an annual production capacity of 3,573.9 tonnes assuming that it will operate 8 hours per day and 330 days per year. For information on our investment costs, please refer to the paragraph headed “Our business strategies — Expansion of our production capacities — New production lines for existing products” in this section.

It is expected that upon the introduction of production lines as mentioned above, our Group will have a total of 41 production lines with annual production capacities of 18,619.3 tonnes.

Non-confectionary products

We are committed to increase our product variety and expand our product portfolios. As at the Latest Practicable Date, we have one production line for production of non-candies products, such as chocolate-coated rice cracker bars. In addition to manufacture of non-candies production in-house, in 2018, we launched yoghurt flavoured drinks under our own brand, Coolsa, and engaged third party manufacturers to manufacture the products according to our specifications and requirements. Pursuant to our subcontracting agreements with the third party manufacturers, the third party manufacturers shall be responsible for procurement of raw materials and packaging materials, which meet our requirements, for manufacture of our yoghurt flavoured drinks. We are responsible for transportation of the products. Upon delivery of the products to us, we would inspect the products and would return products to the third party manufacturers if the products do not meet our requirements. According to our subcontracting agreements, we shall settle our subcontracting fees on a monthly basis. With a view to diversify our offerings, we procured and sold other non-confectionary products, such as instant noodles, on trial basis. During the Track Record Period, the revenue we generated from the sales of non-confectionary products was not significant.

Major machineries

Our main machineries generally have a wide range of useful life from five years to 10 years. Such useful life is used for calculating depreciation expenses. As per the applicable accounting policies adopted by our Group, depreciation of our equipment is calculated using the straight line method over

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their estimated useful lives. Based on our experience, the lifecycle may be extended for a longer period with appropriate repair and maintenance. There is therefore no pre-determined period of use for our equipment but instead it is assessed based on wear-and-tear of individual equipment. The following table sets forth the information on the number of equipment owned by us, expected lifecycle and weighted average length of time in use as at 31 August 2020:

Types of equipment	Number	Average expected useful life (year)	Weighted average length of time left in use (year)
Boiler (熬煮設備)	29	9	3
Transport (搬運設備)	3	5	0 ^(Note)
Packaging equipment (包裝設備)	233	9	3
Measuring equipment (測量設備)	5	5	1
Moulding equipment (成型設備)	208	9	3
Storage (存儲設備)	14	10	2
Sugar disintegrator (粉糖設備)	12	9	1
Energy supply equipment (供電設備)	9	9	1
Sieve (過篩設備)	13	10	2
Environmentally friendly equipment (環保設備)	17	10	5
Mixer (攪拌設備)	31	9	3
Metal detector (金屬檢測設備)	16	10	3
Thermostat (控溫設備)	50	5	0 ^(Note)
Cooler (冷卻設備)	76	9	2
Energy source (能源設備)	4	10	2

Note: The weighted average length of time in use of transport equipment and thermostat equipment as at 31 August 2020 is less than one year.

We procure most of our in-line machineries from reputable manufacturers in the PRC and overseas countries. Some machineries are tailor-made by domestic manufacturers according to our specifications in order to suit our production needs. For example, our bubble gum alignment machine tracks the colour of the bubble gum wraps and aligns them in a specific orientation according to programmable settings.

We invest in high-quality manufacturing machineries because we believe that automation is one of the determining factors for us to remain competitive within the industry. We believe our production lines help us reduce the risk of contamination during the production process, which contributes to the homogeneity, consistency and high quality of our products. We endeavour to keep abreast of technological advances in the confectionary industry by regularly upgrading our equipment in order to meet growing market demand.

Replacement of our existing machines

In order to optimise our production lines by enhancing product quality and production safety, we intend to purchase new machines and equipment for replacing some of our machines and equipment currently in use. We believe that it would optimise our production lines and would also improve the average useful life of our equipment. For information on our investment costs, please refer to the paragraph headed “Our business strategies — Replacement of machines in our existing production lines” in this section.

Repair and maintenance

Our equipment engineering team is responsible for maintenance of our production equipment and production facilities environment and maintenance of inventory storage areas to prevent spoilage of our products and to ensure that our production facilities are in good conditions for production of our high quality products. During the Track Record Period, we did not experience any material or prolonged interruptions to our production process due to equipment failure.

RAW MATERIALS AND QUALITY CONTROL

The principal raw materials we use in the manufacture of our products are white sugar, starch, glucose, Xylitol, Sorbitol, colourings and flavouring essence. We generally procure all of our principal raw materials from domestic suppliers.

We use plastic, carton and tin cans as our main packaging materials. We generally source our packaging materials from domestic suppliers.

Our warehouse and logistics team actively monitors our rolling product demand forecasts and material inventory levels in order to avoid shortages of raw materials.

The costs of our raw materials and packaging materials used in the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020 are approximately RMB204.6 million, RMB220.9 million, RMB232.5 million and RMB127.9 million, respectively.

Procurement of raw materials

We procure raw materials according to our rolling production demand forecasts. Upon receiving a customer order, we will devise a production forecast and raise requisition for the materials needed. Our procurement department will then carefully evaluate our inventory level, and procure the required materials.

Quality control mechanism

We are committed to maintaining the highest quality level of our products. Our quality control team is primarily responsible for monitoring the quality of raw materials, the production process and the quality of financial products. When the raw materials arrive at our factory, our quality control team would inspect the quality and quantity of such raw materials to ensure that they meet our requirements. As part of our quality management process, we would test the raw materials at our in-house laboratory.

We also require our raw material suppliers to provide us with quality reports of the raw materials or have the raw materials tested by third party inspection and testing institutes to ensure that the raw materials meet our standards and requirements.

During the production process, we check and record our production procedure and monitor room temperatures and humidity levels at our production facilities to ensure that our production environment and procedure can meet our hygiene, safety and technical requirements. Moreover, we inspect the quality of our semi-products at various stages of production to ensure that the products we manufacture are of high quality. We also perform quality check and examine our finished products. Further, we inspect the package of our products and perform metal tests and microbiological tests at our in-house laboratory. We also submit our finished products to third party inspection and testing institutes for testing to ensure that they meet the required food safety standards.

In 2016, we received from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) the accreditation of “Three Same (Same Production Line, Same Standard, Same Quality) Quality Certification for Food Import and Export Enterprise* (食品進出口企業“三同”(同線同標同質)資質認證)”, which recognised the quality of products we manufactured. Moreover, we have been accredited with ISO 9001 Quality Management System Certificate and ISO 22000 Food Safety Management System Certificate for our production plant. ISO 9001 is a standard and guideline relating to quality management systems, and represents an international consensus on good quality management practices. ISO 22000 is a higher management system which addresses food safety through the analysis and control of biological, chemical and physical hazards from raw material production, procurement and handling to manufacturing, distribution and consumption of finished products. Further, the production of our products has been certified by the BRC (British Retail Consortium) Certificate (英國零售商協會認證), which is a global standard specifying food safety, quality and operational criteria required within a food manufacturing organisation. These certifications signify our commitment of high quality control standards throughout our operational and production processes locally and internationally.

We outsourced the production of our yoghurt flavoured drinks to two third party manufacturers. Our quality control team would inspect raw materials procured by the third party manufacturers to ensure that the raw materials are procured in accordance with our requirements. They also perform on-site inspection at the factories of the third party manufacturers to monitor the manufacture process and check the quality of finished products. The third party manufacturer would also submit the yoghurt flavoured drinks to third party inspection and testing institutes for testing to ensure that the yoghurt flavoured drinks meet the required food safety standard.

Our employees, whether new recruits or senior staff, have to attend various in-house training programmes regularly to ensure that they satisfy our hygiene, safety and technical requirements. Please refer to the paragraph headed “Employees” in this section.

Selection of suppliers

We generally procure our raw materials, including packaging materials, from independent third-party domestic suppliers. We generally procure the same type of raw materials and packaging materials from various suppliers. This multiple sourcing practice allows us to minimise the risk of supplier

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default, to hedge against the volatility of the raw material prices, and to reduce dependency on single suppliers. Please see the section headed “Risk factors — Risks relating to our business and industry” in this prospectus.

Our procurement department is responsible for the management of our suppliers. A potential supplier has to fulfil our selection criteria before it becomes our supplier. Such selection criteria include a company’s overall track record, financial strengths, reliability, stability of supply, quality control measures, pricing and logistics arrangements. During the Track Record Period, we maintained our approved suppliers list. If potential suppliers can meet our criteria, they would be entered into our list. We would review and evaluate the performance of our suppliers on an annual basis.

During the Track Record Period, we did not encounter any shortage of raw materials or delay in delivery of materials by our suppliers that materially affect our operation.

Inventory control and logistics

Our inventory policy is to maintain appropriate levels of raw materials and finished goods inventory while assisting our distributors to maintain sufficient levels of sellable products. We generally procure raw materials based on our projection of the demand from our customers to ensure that we have sufficient quantity to support our production once the orders from our customers are confirmed.

We closely monitor our inventories, including inventory levels and inventory age. To further minimise the risk of building up aged inventories, it is our policy to regularly review the obsolescence of inventories based on the expected future saleability and the age of the inventories. We conduct a physical count on all inventories on a monthly basis or at the request of the management in order to determine whether provisions should be made in respect of any obsolete and defective inventories identified. If the market conditions are less favourable than those projected by our management and our inventories remain unsold longer than we anticipated, specific provision may need to be made based on an assessment of the net realisable value of inventories. During the Track Record Period, we did not make any provisions for inventories.

According to our policy, we require our distributors to provide us with their monthly inventory and sales reports and we carry out random on-site inspections of our distributors to track their inventories. During the Track Record Period, we generally carried out random on-site inspection at each of our distributors every six months. The purpose of tracking the inventory level is mainly to allow us to gather sufficient information and data regarding the market acceptance of our products. We believe that this system will effectively reduce production inefficiency and inventory buildup at our distributors. Our Directors confirm that none of the products sold to the distributors during the Track Record Period and up to the Latest Practicable Date were subsequently repurchased by our Group.

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, the balance of our inventory as at 31 December 2017, 2018 and 2019 and 31 August 2020 accounted for approximately 24.6%, 35.6%, 32.6% and 35.0%, respectively, of our total current assets, while our average inventory turnover days were approximately 103.2, 104.7, 95.6 and 115.7, respectively.

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Raw materials supplied by our suppliers are delivered to us at their own cost and their own risk. We deliver our products to locations designated by our customers through third party logistics providers. As at the Latest Practicable Date, we engaged two logistics providers, which are Independent Third Parties, and we did not experience any material loss in the delivery of our products during the Track Record Period.

CUSTOMERS

During the Track Record Period, our customers primarily included OEM customers and distributors. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we sold our OEM products to 33, 33, 37 and 22 customers, respectively, and our own-branded products to 196, 125, 146 and 145 distributors, respectively.

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we generated revenue of approximately RMB191.2 million, RMB215.6 million, RMB202.7 million and RMB99.5 million from the sale of our products to OEM customers, respectively, representing approximately 53.8%, 56.6%, 48.9% and 41.8% of our total revenue for the corresponding years/periods respectively.

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we generated revenue of approximately RMB164.6 million, RMB165.3 million, RMB211.4 million and RMB138.3 million from the sale of our own-branded products to distributors and end-consumers, respectively, representing approximately 46.2%, 43.4%, 51.1% and 58.2% of our total revenue for the corresponding years/periods respectively.

Top customers

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, revenue from our largest customers accounted for approximately 22.2%, 25.1%, 23.8% and 20.0% of our total revenue, respectively, while our five largest customers in aggregate accounted for approximately 46.7%, 48.8%, 46.0% and 42.6% of our total revenue, respectively. Our Group has maintained business relationship of approximately 6 to 17 years with our five largest customers during the Track Record Period.

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The tables below set out the background information of the five largest customers during the Track Record Period:

For the year ended 31 December 2017

Rank	Customers	Major products we sold	Background and principal business	Years of business relationship as at the Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total revenue RMB'000	%
1	Gary & Bros Confectionary	OEM products, being tablet candies of the brands Kiskis of recommended retail price ranging from approximately RMB7 to RMB16 per piece and Moji Brothers* (魔吉哥哥) of recommended retail price ranging from RMB130 to RMB1,000.0 per box delivered	A limited liability company established in the PRC which has a registered capital of RMB10 million and principally engages in the sale of its branded tablet candies. For further information, please refer to the paragraph headed "Our relationship with Gary & Bros Confectionary" in this section.	Approximately 6 years	Prepayment of 30% purchase sum and settlement of remaining balance in 180 days upon invoice by bank transfer ^(Note)	78,835	22.2
2	Jinjiang Xiexiang Trading Company Limited* (晉江協翔貿易有限公司)	OEM products, being gum-based candies of the brand XIEXIANG of recommended retail price ranging from RMB300.0 to RMB510.0 per box delivered	A limited liability company established in the PRC which has a registered capital of RMB6.2 million and principally engages in the export of confectionary and food products to South East Asia and Africa with about 30 employees.	Approximately 17 years	Prepayment of 30% purchase sum and settlement of remaining balance in 180 days upon invoice by bank transfer ^(Note)	37,343	10.5
3	Shantou Kelifa Food Company Limited* (汕頭市可立發食品有限公司)	OEM products, being gum-based candies of the brand KELIFA of recommended retail price ranging from RMB537.0 to RMB573.6 per box delivered	A limited liability company established in the PRC which has a registered capital of RMB1 million and principally engages in the export of food products abroad with about 10 employees.	Approximately 11 years	Prepayment of 30% purchase sum and settlement of remaining balance in 180 days upon invoice by bank transfer ^(Note)	19,408	5.5
4	Customer A	OEM products, being gum-based candies produced under its brand of recommended retail price ranging from RMB393.0 to RMB1,563.6 per box delivered	A Germany based company which principally engages in the trading of confectionary products in Germany and other areas in Europe with about 18 employees.	Approximately 8 years	Prepayment of 30% purchase sum and settlement of the remaining balance upon delivery by bank transfer ^(Note)	18,899	5.3
5	Customer B	OEM products, being gum-based candies produced under its brand of recommended retail price of RMB449.6 per box delivered	A Philippines based company which principally engages in the agency and distribution of confectionary and food products with about 500 employees.	Approximately 8 years	Prepayment of 30% purchase sum and settlement of the remaining balance upon delivery by bank transfer ^(Note)	11,368	3.2
Subtotal						165,853	46.7
All other customers						189,940	53.3
Total						<u>355,793</u>	<u>100.0</u>

Note: For the year ended 31 December 2017, we did not experience any material difficulty in collecting trade receivables from these customers nor made any provision for bad debt.

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For the year ended 31 December 2018

Rank	Customers	Major products we sold	Background and principal business	Years of business relationship as at the Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total revenue RMB'000	%
1	Gary & Bros Confectionary	OEM products, being tablet candies of the brands Kiskis of recommended retail price ranging from approximately RMB7 to RMB16 per piece and Moji Brothers* (魔吉哥哥) of recommended retail price ranging from RMB130 to RMB1,000.0 per box delivered	A limited liability company established in the PRC which has a registered capital of RMB10 million and principally engages in the sale of its branded tablet candies. For further information, please refer to the paragraph headed "Our relationship with Gary & Bros Confectionary" in this section.	Approximately 6 years	Prepayment of 30% purchase sum and settlement of remaining balance in 180 days upon invoice by bank transfer ^(Note)	95,764	25.1
2	Jinjiang Xiexiang Trading Company Limited* (晉江協翔貿易有限公司)	OEM products, being gum-based candies of the brand XIEXIANG of recommended retail price ranging from RMB300.0 to RMB510.0 per box delivered	A limited liability company established in the PRC which has a registered capital of RMB6.2 million and principally engages in the export of confectionary and food products to South East Asia and Africa with about 30 employees.	Approximately 17 years	Prepayment of 30% purchase sum and settlement of remaining balance in 180 days upon invoice by bank transfer ^(Note)	46,402	12.2
3	Customer A	OEM products, being gum-based candies produced under its brand of recommended retail price ranging from RMB393.0 to RMB1,563.6 per box delivered	A Germany based company which principally engages in the trading of confectionary products in Germany and other areas in Europe with about 18 employees.	Approximately 8 years	Prepayment of 30% purchase sum and settlement of the remaining balance upon delivery by bank transfer ^(Note)	22,624	6.0
4	Shantou Kelifa Food Company Limited* (汕頭市可立發食品有限公司)	OEM products, being gum-based candies of the brand KELIFA of recommended retail price ranging from RMB537.0 to RMB573.6 per box delivered	A limited liability company established in the PRC which has a registered capital of RMB1 million and principally engages in the export of food products abroad with about 10 employees.	Approximately 11 years	Prepayment of 30% purchase sum and settlement of remaining balance in 180 days upon invoice by bank transfer ^(Note)	11,048	2.9
5	Putian Huangmin Trading Development Company Limited* (莆田市煌民貿易發展有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB3 million and principally engages in the trading of snacks in Fujian and Xiamen with about 50 employees.	Approximately 12 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer ^(Note)	9,958	2.6
Subtotal						185,796	48.8
All other customers						195,019	51.2
Total						<u>380,815</u>	<u>100.0</u>

Note: For the year ended 31 December 2018, we did not experience any material difficulty in collecting trade receivables from these customers nor made any provision for bad debt.

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For the year ended 31 December 2019

Rank	Customers	Major products we sold	Background and principal business	Years of business relationship as at the Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total revenue RMB'000 %	
1	Gary & Bros Confectionary <i>(Note)</i>	OEM products, being tablet candies of the brands Kiskis of recommended retail price ranging from approximately RMB7 to RMB16 per piece and Moji Brothers* (魔吉哥哥) of recommended retail price ranging from RMB130 to RMB1,000.0 per box delivered	A limited liability company established in the PRC which has a registered capital of RMB10 million and principally engages in the sale of its branded tablet candies. For further information, please refer to the paragraph headed "Our relationship with Gary & Bros Confectionary" in this section.	Approximately 6 years	Prepayment of 30% purchase sum and settlement of remaining balance in 180 days upon invoice by bank transfer <i>(Note)</i>	98,733	23.8
2	Jinjiang Xiexiang Trading Company Limited* (晉江協翔貿易有限公司)	OEM products, being gum-based candies of the brand XIEXIANG of recommended retail price ranging from RMB300.0 to RMB510.0 per box delivered	A limited liability company established in the PRC which has a registered capital of RMB6.2 million and principally engages in the export of confectionary and food products to South East Asia and Africa with about 30 employees.	Approximately 17 years	Prepayment of 30% purchase sum and settlement of remaining balance in 180 days upon invoice by bank transfer <i>(Note)</i>	46,647	11.3
3	Putian Huangmin Trading Development Company Limited* (莆田市煌民貿易發展有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB3 million and principally engages in the trading of snacks in Fujian and Xiamen with about 50 employees.	Approximately 12 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer <i>(Note)</i>	16,817	4.1
4	Haikou Dongbo Trading Company Limited* (海口東波貿易有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB0.5 million and principally engages in wholesale of snacks in Hainan Province with about 70 employees.	Approximately 16 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer <i>(Note)</i>	14,454	3.5
5	Linyi Dawei Trading Company Limited* (臨沂大為商貿有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB0.5 million and principally engages in the sale of food products in Shandong with about 70 employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer <i>(Note)</i>	13,824	3.3
Subtotal						190,475	46.0
All other customers						223,607	54.0
Total						<u>414,082</u>	<u>100.0</u>

Note: For the year ended 31 December 2019, we did not experience any material difficulty in collecting trade receivables from these customers nor made any provision for bad debt.

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For the eight months ended 31 August 2020

Rank	Customers	Major products we sold	Background and principal business	Years of business relationship as at the Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total revenue	
						RMB'000	%
1	Gary & Bros Confectionary ⁽¹⁾	OEM products, being tablet candies of the brands Kiskis of recommended retail price ranging from approximately RMB7 to RMB16 per piece and Moji Brothers* (魔吉哥哥) of recommended retail price ranging from RMB130 to RMB1,000.0 per box delivered	A limited liability company established in the PRC which has a registered capital of RMB10 million and principally engages in the sale of its branded tablet candies. For further information, please refer to the paragraph headed "Our relationship with Gary & Bros Confectionary" in this section.	Approximately 6 years	Prepayment of 30% purchase sum and settlement of remaining balance in 180 days upon invoice by bank transfer ⁽²⁾	47,467	20.0
2	Jinjiang Xiexiang Trading Company Limited* (晉江協翔貿易有限公司)	OEM products, being gum-based candies of the brand XIEXIANG of recommended retail price ranging from RMB300.0 to RMB510.0 per box delivered	A limited liability company established in the PRC which has a registered capital of RMB6.2 million and principally engages in the export of confectionary and food products to South East Asia and Africa with about 30 employees.	Approximately 17 years	Prepayment of 30% purchase sum and settlement of remaining balance in 180 days upon invoice by bank transfer ⁽²⁾	26,759	11.3
3	Putian Huangmin Trading Development Company Limited* (莆田市煌民貿易發展有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB3 million and principally engages in the trading of snacks in Fujian and Xiamen with about 50 employees.	Approximately 12 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer ⁽²⁾	10,441	4.4
4	Linyi Dawei Trading Company Limited* (臨沂大為商貿有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB0.5 million and principally engages in the sale of food products in Shandong with about 70 employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer ⁽²⁾	8,603	3.6
5	Shaanxi Xinlikang Trading Company Limited* (陝西新利康商貿有限公司)	Our own-branded products	A limited liability company established in the PRC which has a registered capital of RMB1 million and principally engages in the wholesale of food products in Shaanxi with about 30 employees.	Approximately 9 years	Prepayment of 30% purchase sum and settlement of the remaining balance in 180 days by bank transfer ⁽²⁾	7,951	3.3
Subtotal						101,221	42.6
All other customers						136,633	57.4
Total						<u>237,854</u>	<u>100.0</u>

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Notes:

- (1) For the year ended 31 December 2019 and the eight months ended 31 August 2020, an affiliated company of Gary & Bros Confectionary also engaged us for the sale of tablet candies under the brand name Kiskis, which contributed to approximately RMB1.3 million and RMB10.0 million, respectively, representing approximately 0.3% and 4.2%, respectively, of our total revenue. Our sales to Gary & Bros Confectionary included our sales to its affiliated company.
- (2) For the eight months ended 31 August 2020, we did not experience any material difficulty in collecting trade receivables from these customers nor made any provision for bad debt.

Save for Gary & Bros Confectionary, all of our five largest customers during the Track Record Period are Independent Third Parties, and to the best knowledge of our Directors, none of our Directors (or any person who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of any of our subsidiaries or any of their respective associates) had any interest in any of our five largest customers during the Track Record Period. None of our customers was our supplier during the Track Record Period.

During the Track Record Period, we generally entered into OEM sales agreements with our OEM customers and distribution agreements with our distributors. For further details of the terms of these agreements, please refer to the paragraph headed “Sales of our products” in this section.

Our relationship with Gary & Bros Confectionary

Our largest customer for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, Gary & Bros Confectionary, was owned as to 15% by Mr. Zheng Guosi, our executive Director, until 5 December 2018. Gary & Bros Confectionary is principally engaged in the sales of its branded tablet candies and was founded by Mr. Jiang Peiguo, who has been the sole director of Gary & Bros Confectionary since its inception in 2014. Mr. Zheng Guosi became acquainted with Mr. Jiang Peiguo in 2006 through introduction by a then customer of our Group, during Mr. Zheng Guosi's business visit to that customer. Having considered the potential investment opportunities, in 2015, Mr. Zheng Guosi acquired the 15% equity interest in Gary & Bros Confectionary from Mr. Jiang Peiguo at a consideration of RMB1.5 million, which was determined with reference to the total amount of registered capital of RMB10.0 million of Gary & Bros Confectionary as at the date of acquisition, and was financed by an advance from the Group to Mr. Zheng Guosi. Subsequent to the acquisition, Mr. Zheng Guosi became a shareholder of Gary & Bros Confectionary. Prior to the disposal of equity interest by Mr. Zheng Guosi, Gary & Bros Confectionary was held as to 62% by Mr. Jiang Peiguo, 15% by Mr. Zheng Guosi, 10% by Mr. Tian Jiachuan, 10% by Mr. Liu Gang and 3% by a limited partnership established in the PRC with approximately 30 partners. To the best knowledge of our Directors, such limited partnership and its partners are Independent Third Parties. Such limited partnership is principally engaged in investment in new businesses and is managed by Capital First Partners (上海石天投資管理有限公司), an asset management company established in Shanghai. Mr. Jiang Peiguo, Mr. Tian Jiachuan and Mr. Liu Gang are involved in the senior management and operation of Gary & Bros Confectionary and possessed in-depth experience in sales and marketing in the confectionary industry in the PRC with working experience in a multi-national confectionary company, namely Wrigley Confectionary (China) Company Limited* (箭牌糖果(中國)有限公司).

Gary & Bros Confectionary focused its resources on the sales of its own-branded products. In February 2021, it had a sales team of 135 staff, representing approximately 83.9% of its work force. Its sales network covered 200 cities in the PRC and it cooperated with more than 300 distributors in the

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sales of its products. Gary & Bros Confectionary also spent significant efforts in the marketing and promotion of its brand and products through different online and offline channels. It also promoted its brand through animated series which are played on different online media platforms in the PRC to further enhance its brand recognition. Leveraging on the significant marketing efforts of Gary & Bros Confectionary, the brand of Gary & Bros Confectionary is one of the top 10 largest sugar confectionary brands by retail sales value in the PRC in 2018 and 2019 with market shares increasing from 0.13% in 2016 to 0.32% in 2019, according to the Frost & Sullivan Report. Due to the successful market expansion of Gary & Bros Confectionary, it became our largest customer during the Track Record Period. Gary & Bros Confectionary generally offers three types of tablet candies of three to eight flavours, under one brand, namely Kiskis. The retail price of its tablet candies generally ranged from approximately RMB7 to RMB16 per unit. As confirmed by Gary & Bros Confectionary, in view of its limited product variety, our product know-how and our quality management and having considered our strong production capacity and stringent quality standards and control, Gary & Bros Confectionary cooperates with different suppliers for different category of its products and our Group is the sole supplier of tablet candies of Gary & Bros Confectionary. In 2019, we commenced production of hard candies products under a new brand of Gary & Bros Confectionary, namely Moji Brothers (魔吉哥哥) and, given that it is a new brand, the sale amount was not significant. It also cooperates with another supplier when it develops new confectionary products of another category.

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, our revenue derived from the sales of our products to Gary & Bros Confectionary accounted for approximately RMB78.8 million, RMB95.8 million, RMB98.7 million and RMB47.5 million, respectively, representing approximately 22.2%, 25.1%, 23.8% and 20.0% of our revenue for the corresponding years. The increase in our sales to Gary & Bros Confectionary was due to the expansion of market of Gary & Bros Confectionary and the increase in sales of its products due to its increased marketing efforts and integration into the market. Taking into account the terms of transactions and the gross profit margin of different product types and our work involved in the production and sales of OEM products to Gary & Confectionary and other independent OEM customers, our Directors confirmed and the Sole Sponsor concurs that the transactions with Gary & Bros Confectionary were comparable to other independent OEM customers.

Gary & Bros Confectionary became our customer in 2015 and we first explored business opportunities with Gary & Bros Confectionary through Mr. Zheng Guosi. Our sales to Gary & Bros Confectionary were conducted on normal commercial terms, which were comparable to other independent OEM customers and were determined based on arm's length negotiation and by reference to the costs of our production, including the costs of raw materials and packaging materials used for manufacture and packaging of products sold to Gary & Bros Confectionary, and taking into account the work involved when thin tin can boxes and triangle-shaped plastics bottles are used as packaging materials. Our Directors confirmed that, (i) Gary & Bros Confectionary's past and present directors, shareholders or beneficial owners and senior management are all Independent Third Parties and, other than that of Mr. Zheng Guosi, have no past or present relationships and dealings, such as family, business, employment, trust, financing or otherwise, with our Group, our shareholders, Directors, senior management or any of their respective associates, (ii) other than the existing supplier-customer relationship, there is no other past and present roles and responsibilities of our Group (including those of our shareholders, Directors, senior management or any of their respective associates) in Gary & Bros Confectionary (and vice versa), nor is there any past or present agreement, arrangement or understanding, whether verbally or in writing, with respect to the management and operation of Gary &

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Bros Confectionary, and (iii) our Group, its shareholders, directors and management or any of their respective associates did not finance any expansion of Gary & Bros Confectionary directly or indirectly and Mr. Zheng Zhenzhong, his family members and their investee entities did not provide any guarantees or security in respect of any financing arrangement which has funded or is funding the establishment and/or operation of Gary & Bros Confectionary up till the Latest Practicable Date, save for the past investment of Mr. Zheng Guosi in the 15% equity interest in Gary & Bros Confectionary.

Given that (i) Mr. Zheng Guosi, as an executive Director, shall focus on the business development for our Group and (ii) Mr. Zheng Guosi was not involved in the management nor operation of Gary & Bros Confectionary, and having considered the unnecessary administrative burden that may be placed on our Group for the avoidance of his potential conflict of interest arising from transactions between our Group and Gary & Bros Confectionary due to Mr. Zheng Guosi's interest in Gary & Bros Confectionary, Mr. Zheng Guosi decided that it would be commercially prudent to dispose of his equity interest in Gary & Bros Confectionary. In December 2018, Mr. Zheng Guosi disposed all of his equity interest in Gary & Bros Confectionary to Mr. Liu Gang, the chief supply chain officer of Gary & Bros Confectionary, an Independent Third Party, who was a then-existing individual shareholder of Gary & Bros Confectionary, at a consideration of RMB1,500,000. Such consideration received by Mr. Zheng Guosi was determined based on arm's length negotiation after having considered the financial performance of Gary & Bros Confectionary and with reference to the capital contribution of Mr. Zheng Guosi in Gary & Bros Confectionary of RMB1.5 million on 30 September 2015. Given the will of Mr. Zheng Guosi to dispose his interests in Gary & Bros Confectionary, taking into account the audited net liabilities of Gary & Bros Confectionary of approximately RMB25.9 million as at 31 December 2017 and the breakeven condition of Gary & Bros Confectionary close to the time of disposal, the consideration is considered to be fair and reasonable. Based on the best knowledge of Mr. Zheng Guosi, Mr. Liu Gang funded the acquisition with his personal resources. As at the Latest Practicable Date, Mr. Zheng Guosi held no equity interest in Gary & Bros Confectionary and Gary & Bros Confectionary was not a connected person of our Company. Given that (i) we have established stable business relationship with Gary & Bros Confectionary for approximately five years, (ii) there was no material complaint from Gary & Bros Confectionary on product quality during the Track Record Period, (iii) there was an increase in purchase of our products from Gary & Bros Confectionary during the Track Record Period, and (iv) the transaction terms remained the same after the disposal of 15% equity interest in Gary & Bros Confectionary, our Directors are of the view that the disposal had not and will not cause any material adverse impact on our Group's business relationship and terms of transactions with Gary & Bros Confectionary. For further information about the interest of Mr. Zheng Guosi in Gary & Bros Confectionary and our transactions with Gary & Bros Confectionary, please refer to the sections headed "Relationship with Controlling Shareholders — Past related party transactions" and "Financial information — Related party transactions" in this prospectus.

Payment and credit terms

Generally, we issue a monthly consolidated invoice to our domestic customers, which are given a credit period of up to 180 days. We determine the term of credit period of our customer after having considered various criteria and factors such as customer's past payment record, transaction amount, length of our business relationship and customer's background and business scale. According to the Frost & Sullivan Report, the average credit period granted by confectionary manufacturers in the PRC ranges from 90 days to 270 days. Our Directors confirm that the offer of our credit period of up to 180 days to customers is in line with industry norm. For overseas customers, we usually require them to pay

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in two instalments: 30% of the contract price upon sales confirmation, and then the remaining upon receipt of all relevant documents ready for delivery. We generally accept payment by way of telegraphic transfer or bank draft.

Our finance department manages the collection of our trade receivables and regularly reports on the payment progress of our customers. For more information, please refer to the section headed “Financial information” in this prospectus.

We have recognised allowance for expected credit losses on trade receivables of approximately RMB0.5 million as at 31 August 2020 under HKFRS 9. Notwithstanding the above, during the Track Record Period, we did not experience any material difficulty in collecting trade receivables nor made any provision for bad debt.

Pricing mechanism and suggested unit sales price

Our candies products are not subject to any price control by the government of the PRC. The prices of our products are generally determined on a cost-plus basis. All the price quotes and sales orders have to be approved by our finance department to ensure that our products remain competitive and generate profit.

Relating to the sales of our own-branded products, we generally provide suggested unit sales prices of our own-branded products to our distributors who will then on-sell our products to their customers. We determine the suggested unit sales price of our own-branded products having considered, among others, the pricing plan of our products by referencing to selling prices of products of our competitors, the brand and product positioning, the production costs and the target profit margin. We would recommend our distributors to sell our own-branded products at the suggested unit sales price which provides a reference to the distributors on their price determination. There is no legal consequence on part of the distributors or sub-distributors if they do not follow our suggested unit sales price.

Refund and product return

We generally accept refund or return of any products which quantity and type do not match the order from our customers upon delivery. If we fail to deliver the products on time or if the quantity or type of products delivered is different from that stated in the purchase order, then we arrange for return of the relevant products as a result of our failure.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material request for refund or return from our customers.

Product recall and customer complaints

During the Track Record Period and up to the Latest Practicable Date, (i) we were not subject to any material fines or other penalties from the PRC government authorities regarding product quality or safety, (ii) we were not required to recall our products and there was no product recall, (iii) we did not have any material product liability exposure, (iv) we did not receive any material complaints from our distributors or end-consumers in connection with product quality, and (v) we did not received any food-

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borne illness claim. When we receive any complaint from customer, we would verify the complaint by conducting checks on the products being rejected and if our products are proven to be defective, we would follow up the matter with our customer to replace the products, if required.

Seasonality

The sales of our confectionary products are subject to seasonality. Our sales generally experience a surge ahead of holiday seasons, such as Christmas and Chinese New Year. Historically, we experienced higher sales of our products in the fourth and the first quarters of our financial year.

SUPPLIERS

During the Track Record Period, we generally procured raw materials (such as white sugar, Xylitol, Sorbitol, glucose, colourings and flavouring essence) and packaging materials (such as plastic, carton and tin cans) from suppliers in the PRC. Our Directors believe that the price fluctuation of our raw materials used in the production of our confectionary products are dependent on a number of factors, including supply and demand and processing costs. In general, we intend to pass on increases in cost of raw materials to our customers if such increases affect our business operation and profit margin.

Top suppliers

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, purchase from our largest supplier accounted for approximately 13.8%, 12.4%, 12.7% and 10.5% of our total purchase, respectively, while our five largest suppliers in aggregate accounted for approximately 40.5%, 42.3%, 49.3% and 40.4% of our total purchase, respectively. All of our five largest suppliers during the Track Record Period are Independent Third Parties. Our Group has maintained business relationship of approximately 4 to 19 years with our five largest suppliers during the Track Record Period.

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The tables below set out the background information of the five largest suppliers during the Track Record Period:

For the year ended 31 December 2017

Rank	Suppliers	Major products sold to us	Background and principal business	Years of business relationship as at Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total purchase	
						RMB'000	%
1	Supplier A	White sugar	A limited liability company established in the PRC which engages in the wholesale and retail of pre-packed food products.	Approximately 16 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	30,399	13.8
2	Supplier D	Sorbitol and starch	A limited liability company established in the PRC which engages in the wholesale of food additives and retail of food products.	Approximately 14 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	23,419	10.6
3	Supplier F	Packaging materials	A limited liability company established in the PRC which engages in the retail of metal containers.	Approximately 6 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	13,938	6.3
4	Supplier B	Fruit powder	A limited liability company established in the PRC which engages in the wholesale and retail of food raw materials.	Approximately 19 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	11,796	5.4
5	Supplier G	Packaging materials	A limited liability company established in the PRC which engages in the wholesale and retail of machines and equipment.	Approximately 4 years	60 days upon invoice by bank transfer	9,678	4.4
Subtotal						89,230	40.5
All other suppliers						131,242	59.5
Total						<u>220,472</u>	<u>100.0</u>

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For the year ended 31 December 2018

Rank	Suppliers	Major products sold to us	Background and principal business	Years of business relationship as at Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total purchase	
						RMB'000	%
1	Supplier A	White sugar	A limited liability company established in the PRC which engages in wholesale and retail of pre-packed food products.	Approximately 16 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	26,866	12.4
2	Supplier F	Packaging materials	A limited liability company established in the PRC which engages in the retail of metal containers.	Approximately 6 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	22,019	10.1
3	Supplier D	Sorbitol and starch	A limited liability company established in the PRC which engages in the wholesale of food additives and retail of food products.	Approximately 14 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	21,594	9.9
4	Supplier H	Packaging materials	A limited liability company established in the PRC which engages in the printing of packaging materials.	Approximately 17 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	10,909	5.0
5	Supplier B	Fruit powder and Xylitol	A limited liability company established in the PRC which engages in the wholesale and retail of food raw materials.	Approximately 19 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	10,702	4.9
Subtotal						92,090	42.3
All other suppliers						<u>125,650</u>	<u>57.7</u>
Total						<u><u>217,740</u></u>	<u><u>100.0</u></u>

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For the year ended 31 December 2019

Rank	Suppliers	Major products sold to us	Background and principal business	Years of business relationship as at Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total purchase	
						RMB'000	%
1	Supplier F	Packaging materials	A limited liability company established in the PRC which engages in the retail of metal containers.	Approximately 6 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	28,741	12.7
2	Supplier A	White sugar	A limited liability company established in the PRC which engages in the wholesale and retail of pre-packed food products.	Approximately 16 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	24,678	10.9
3	Supplier D	Sorbitol and starch	A limited liability company established in the PRC which engages in the wholesale of food additives and retail of food products.	Approximately 14 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	23,234	10.2
4	Supplier H	Packaging materials	A limited liability company established in the PRC which engages in the printing of packaging materials.	Approximately 17 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	20,372	9.0
5	Supplier B	Fruit powder and Xylitol	A limited liability company established in the PRC which engages in the wholesale and retail of food raw materials.	Approximately 19 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	14,789	6.5
Subtotal						111,814	49.3
All other suppliers						<u>114,899</u>	<u>50.7</u>
Total						<u><u>226,713</u></u>	<u><u>100.0</u></u>

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For the eight months ended 31 August 2020

Rank	Suppliers	Major products sold to us	Background and principal business	Years of business relationship as at Latest Practicable Date	Typical payment/ credit terms and payment method	Transaction amount and approximate percentage of our total purchase	
						RMB'000	%
1	Supplier B	Fruit powder and Xylitol	A limited liability company established in the PRC which engages in the wholesale and retail of food raw materials.	Approximately 19 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	14,054	10.5
2	Supplier D	Sorbitol and starch	A limited liability company established in the PRC which engages in the wholesale of food additives and retail of food products.	Approximately 14 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	12,467	9.3
3	Supplier I	Packaging materials	A limited liability company established in the PRC which engages in the wholesale of packaging materials.	Approximately 14 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	11,993	8.9
4	Supplier F	Packaging materials	A limited liability company established in the PRC which engages in the retail of metal containers.	Approximately 6 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	7,974	5.9
5	Supplier H	Packaging materials	A limited liability company established in the PRC which engages in the printing of packaging materials.	Approximately 17 years	Prepayment of 20% purchase sum and settlement of remaining balance in 60 days upon invoice by bank transfer	7,839	5.8
Subtotal						54,327	40.4
All other suppliers						<u>79,752</u>	<u>59.6</u>
Total						<u><u>134,079</u></u>	<u><u>100.0</u></u>

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All of our five largest suppliers during the Track Record Period are Independent Third Parties. To the best knowledge of our Directors, none of our Directors (or any person who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of any of our subsidiaries or any of their respective associates) had any interest in any of our five largest suppliers during the Track Record Period. None of our suppliers was our customer during the Track Record Period.

Framework contracts

We generally enter into framework contracts with our suppliers for the procurement of raw materials. A framework contract usually has a term of one year, and contains the payment terms, delivery terms and compensation and return policy. The contract does not specify any annual target purchase volume. Instead, the type of raw materials, unit price and purchase volume are determined in each individual purchase order that we send to our suppliers during the term of the framework contracts. We require that all raw materials meet the safety and quality standards set by the PRC government.

Payment and credit terms

We generally place orders to our suppliers based on our production schedule. The credit period granted to us by our suppliers is generally up to 60 days.

COMPETITION

The sugar confectionary manufacturing market in the PRC is highly fragmented with more than 1,000 market participants of which a large number are small-scale manufacturers. Competition among manufacturers in the sugar confectionary market in the PRC is primarily based on brand recognition, quality and differentiation of products and distribution channel. We believe that our product research and development capabilities, our extensive and well established nationwide sales network and our experienced management distinguish us from our competitors.

According to the Frost & Sullivan Report, the market size of sugar confectionary retail market as measured by sales value rose from approximately RMB80.0 billion in 2014 to approximately RMB93.7 billion in 2019, representing a CAGR of approximately 3.2% in the same year. The market has expanded steadily. It is expected that the market size of sugar confectionary retail market will reach approximately RMB109.1 billion by 2024, representing a CAGR of approximately 3.1% from 2019 to 2024. According to the Frost & Sullivan Report, it is expected that the sugar confectionary market will achieve a steady level of growth as a result of the growing urbanisation and consumers' disposable income. We will continue to diversify our products and expand our product offerings to cater for the demand of our customers and maintain competitive in the market and capture potential market opportunities.

Please refer to the paragraph headed "Our competitive strengths" in this section and the section headed "Industry overview" in this prospectus for further details.

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LICENCES, PERMITS AND APPROVALS

Our head office is responsible for managing, reviewing and renewing our licences, permits and approvals. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licences, permits and approvals from the relevant government authorities that are material for our business operation in the PRC. We have submitted the necessary documents for application for the Construction Land Planning Permit (建設用地規劃許可) to the relevant authorities in the PRC and we have commenced construction work for the supply of (i) water; (ii) electricity and gas; and (iii) the provision of telecommunication facilities and road access as well as the levelling of the ground on the construction site. We will apply for the Construction Planning Permit (建設工程規劃許可) and the Construction Work Permit (建設工程施工許可) after obtaining the Land Planning Permit. The following table sets forth details of the material licences and permits held by our Group:

Licence/Permit	Certifying authority	Validity period
Food Production Licence* (食品生產許可證)	Food and Drug Administration Bureau of Quanzhou City* (泉州市食品藥品監督管理局)	28 December 2020– 27 December 2025
Food Operation Licence* (食品經營許可證)	Market Supervision Authority of Jinjiang City* (晉江市市場監督管理局)	26 August 2017– 25 August 2022
Filing of Fixed Pollution Source Discharge Registration* (固定污染源排污登記回執)	Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部)	20 March 2020– 19 March 2025
Proof for Filing of Export Food Manufacturers* (出口食品生產企業備案證明)	Customs of Quanzhou of the PRC* (中華人民共和國泉州海關)	3 September 2019– 2 September 2024
Discharge of Urban Sewage into the Drainage Network Licence* (城鎮污水排入排水管網許可證)	Water Resources Bureau of Jinjiang City* (晉江市水利局)	16 April 2020– 17 April 2021

Production of OEM products

Pursuant to the Food Safety Law, packaging of pre-packed food shall be labelled. The label shall include, among others, (i) description, specification, net weight and manufacture date, (ii) list of ingredients, (iii) name, address and contact details of the manufacturer, (iv) shelf life, (v) product standardised code, (vi) storage conditions, (vii) food additives used in the product and (viii) manufacturing permit serial number. Thus, we shall print required information on the packages of our OEM products. As advised by our PRC Legal Advisers, we have fulfilled the aforesaid requirements in accordance with the Food Safety Law.

We have been advised by our PRC Legal Advisers that under the current PRC law, food processors are not required to do any filing or obtain any approval to process food under consignment. Nonetheless, a food processor should examine whether its customers own the trademarks of the products to be produced or processed. In the event that a product is proved to have infringed the intellectual property rights of a third party, and the food processor has no knowledge of such infringement and could provide

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the relevant documentation showing the customer's ownership of the trademark in issue, such food processor will not be liable for any infringement of intellectual property rights. However, if the relevant food processor fails to carry out the aforesaid examination, it will be held jointly liable with its customers for such infringement.

We are normally provided with specifications on packaging materials from our customers, and that the packaging materials may or may not have been labelled with brand names as supplied by our customers. The brand name labels may be owned or licenced by our customers. To ensure that our Group is not involved in the making of any counterfeit products, we require our customers to provide documentation showing the owners of the brand name labels and we also conduct independent background search on our customers to ascertain the ownership of the brand name labels. For instance, we may require our OEM customers to provide relevant authorisation letters, licence agreements or such other documents showing that they have been duly authorised by the intellectual property owner to instruct us to manufacture the candies under the logos or brands. We may also require them to provide particulars and information on the ownership of intellectual properties. Our PRC Legal Advisers are of the view that during the Track Record Period and up to the Latest Practicable Date, our Group has taken necessary measures to prevent possible infringement of third party's intellectual property rights.

AWARDS AND ACCOLADES

As at 31 August 2020, we have received over 70 awards from local authorities and reputable organisations in the PRC in recognition of our endeavours in the confectionary industry. Below is a selection of some of our key awards and accolades:

Year	Awards and accolades	Presenters
2018	Top Ten Classic Chinese invested Candies — Coolsa 9g Breath Freshener* (中資糖果十大經典單品 — 酷莎9克清口含片)	China National Confectionary Association (中國食協糖果專業委員會)
2016	Three Same (Same Production Line, Same Standard, Same Quality) Quality Certification for Food Import and Export Enterprise* (食品進出口企業“三同”(同線同標同質)資質認證)	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局)
2016	Technology Innovation Contribution Award: Gold* (科技創新貢獻獎：金獎)	The Confectionary Committee of China National Food Industry Association* (中國食品工業協會糖果專業委員會)
2016	Certificate of Honour: Outstanding Enterprise* (優秀企業榮譽證書)	The Confectionary Committee of China National Food Industry Association* (中國食品工業協會糖果專業委員會)

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Year	Awards and accolades	Presenters
2014	Excellent Commercial Credit Operating Unit in 2013* (2013年度工商信用優異經營單位)	Administration Bureau for Industry and Commerce of Jinjiang City* (晉江市工商行政管理局)
2013	Halal Certificate 2013–2014 (清真食品證書2013–2014)	Islamic Association of Fujian Province (福建省伊斯蘭教協會)
2011	Well-known Trademark of Fujian Province: Coolsa* (福建省著名商標：酷莎)	Industry and Commerce Administration Bureau of Fujian Province* (福建省工商行政管理局)
2011	Leading Enterprise of National Food Industry in 2010–2011* (2010–2011年度全國食品工業優秀龍頭食品企業)	China National Food Industry Association (中國食品工業協會)
2011	National Unit of “Honouring the Contract and Keeping the Words” in 2009–2010* (2009–2010年度“守合同，重信用”單位)	Administration for Industry and Commerce of Jinjiang City* (晉江市工商行政管理局)
2011	Top 10 Major Business in Fujian Industry* (2011年度福建工業主要行業前十強)	Regional Enterprise Assessment Centre of Fujian Province* and Fujian Enterprise Association of Fujian Province* (福建省區域和企業評價中心及福建省企業評價協會)
2011	The Second Fujian Import and Export Quality Credible Enterprise* (第二屆福建進出口品質誠信企業)	Entry-Exit Inspection and Quarantine Bureau of Fujian Province* (福建省出入境檢驗檢疫協會)
2008	Famous Products in Fujian Province: Jiujiuwang, Lalabo, Coolsa and Wrigley’s Chewing Gums* (福建名牌產品：九九王、拉拉卜、酷莎及箭王牌口香糖)	People’s Government of Fujian Province* (福建省人民政府)

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Since established, we have been highly committed to sustainable corporate social responsibility, which we believe is intrinsically linked to strong company performance. The following table is a selection of the awards and accolades which reflect our long heritage in making charitable endeavours, protecting our ecosystem, and reducing the educational gap:

Year	Awards and accolades	Presenters
2015	Employee Friendly Advance Enterprise* (2015–2016年度“雙愛雙評”活動：愛職工 先進企業)	Working Committee of Communist Party of Luoshan Street* (羅山街道 黨工委) and Luoshan Street Office* (羅山街道辦事處)
2013	“Green Industrial Area”* (綠色廠區) in 2012	Greening Committee of Jinjiang City* (晉江市綠化委員會)
2010	Chinese Brand Capital: Top 100 Enterprise Employee Care Award in 2010* (2010年度 中國品牌之都關愛員工百佳企業)	People’s Government of Jinjiang City* (晉江市人民政府)

INSURANCE

During the Track Record Period, we maintained various insurance policies to safeguard against risks and unexpected events. We participate in the mandatory social insurance scheme in the PRC covering five types of social insurance contributions: basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. We also have in place additional vehicle insurance policies and group incident liability insurance policies for our employees. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, the total insurance expenses of our Group amounted to approximately RMB4.5 million, RMB4.0 million, RMB6.0 million and RMB3.9 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made any material claim on insurance.

Our Directors consider that our Group maintains sufficient insurance coverage which is in line with industry norm. Please also refer to the section headed “Risk factors — Risks relating to our business and industry — We have limited insurance coverage which could expose us to significant costs and business disruption” in this prospectus.

ENVIRONMENTAL AND SOCIAL MATTERS

We are subject to various PRC environmental laws and regulations, including the PRC Environmental Impact Assessment Law* (《中華人民共和國環境影響評價法》), Regulations on the Administration of Construction Project Environmental Protection* (《建設項目環境保護管理條例》), Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (《建設項目環境影響評價分類管理名錄》). For details of the regulatory requirements, please refer to the section headed “Regulatory overview” in this prospectus.

Our production generates sewage, solid waste and other industrial waste at different stages of production process. All of our production facilities have completed the requisite environmental impact assessments at the initial construction stage and have established the relevant environmental protection

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equipment and passed the completion inspections by the government authority before commercial production. During the Track Record Period and up to the Latest Practicable Date, our production process have been accredited ISO 14001 certifications.

To ensure our production to be compliant with applicable environmental protection laws and regulations, we have assigned various departments the duty of environmental protection implementation and management such as closely monitor the change of local environmental laws and regulations and update our internal production requirements accordingly, conduct regular environmental inspections to monitor the pollutants emission and resources consumptions and keep track of environmental risks and impacts during the production process and enhance our employees' environmental protection sensitivity by education and training, etc. The risk management committee, which will be in charge of managing the overall risks of our Group, will also play a part in the assessment and management of environmental-related risks and social sustainability risks.

As part of our allegiance to sustainability and the environment, we have adopted a series of environmental impact control measures in compliance with relevant PRC laws and regulations with a view of risks such as exposure to gradually enhancing environmental obligations:

- Air pollution: We retire the coal-fired boilers, and use diesel to fuel the boilers instead.
- Water pollution: We build a biological sewage treatment plant to remove contaminants and produce treated wastewater (or treated effluent) that is safer for the environment.
- Noise pollution: We adopt various noise reduction measures so that the noise generated in our production plants satisfies the required standards in the Environmental Noise Emission Standard for Industrial Enterprise* (《工業企業廠界環境嘈音排放標準》).
- Solid waste pollution: We implement the waste sorting and separation policy to all our solid waste.

For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, we incurred approximately RMB97,000, RMB175,000, RMB206,000 and RMB129,000, respectively, as our environmental compliance costs.

Save as disclosed in the paragraph headed “Legal proceedings and compliance — Non-compliance incidents” in this section, our PRC Legal Advisers confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with environmental regulations.

Our Group also has policies on compensation, dismissal, equal opportunities, diversity and anti-discrimination. Our Group respects the gender, age and ethnicity of each person. Accordingly, our Group gives each job applicant an equal job opportunity and we have an internal policy in place to ensure that there is no discrimination as to gender, age and ethnicity. In addition, we have stipulated in our internal guidelines that decision in relation to human resource management, which include but not limited to promotion, salary increment and dismissal within our Group would be based solely on the employee's performance, experience and capability.

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Our Board has the collective and overall responsibility for establishing, adopting and reviewing the environmental, social and governance (“ESG”) vision and target of our Group, identifying the key performance indicators and the relevant measurements and evaluating, determining and addressing our ESG-related risks in accordance with Appendix 27 to the Listing Rules. Our Board will assess, evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

OCCUPATIONAL SAFETY AND HEALTH

Our business operations are subject to various PRC labour laws and regulations related to employee health and safety. We have incorporated into our employee handbooks certain safety guidelines where, for instance, accidents arise or fire occurs. Each employee is given a copy of the employee handbook. Strict compliance with the handbook is compulsory. We also inspect our machineries from time to time to ensure that they are safe to use. We offer our employees various in-house training programmes, such as induction training for new recruits and technical skills training.

In the event of occurrence of an accident, we would investigate the accident, prepare a report to the management and take corrective actions effectively. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material accidents. Our PRC Legal Advisers confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or penalties due to non-compliance with health and safety regulations.

Precautionary measures to maintain a hygienic working environment

Our Group takes seriously the occupational health and safety of our employees. We have implemented precautionary measures, including but not limited to, the following measures to maintain a hygienic working environment:

- we would measure our employees’ body temperature before they enter into our factory. If the body temperature of an employee exceeds 37.2 degree, he is required to take leave and shall not enter into our factory;
- our employee shall wear sterile clothes and masks and wash their hands before they enter into our factory;
- we would record the health conditions of our employees and their family members;
- if any of our employees have recently visited or stayed in Hubei Province, he is required to take leave and shall only return to work upon our further notice;
- if any of our employees have any symptom of a respiratory infection, he shall be quarantined and it shall be reported to our senior management;
- we sanitise our factory and office regularly to improve workplace hygiene condition;
- all vehicles entering into our premises shall be sanitised;
- we post information of the epidemic in different areas in our premises to enhance our employees’ awareness to public health; and

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- we cancel and reschedule our gathering with employees and business trips or visits to customers and suppliers.

To implement these measures, we have incurred expenses amounted to approximately RMB0.5 million since the outbreak of the COVID-19 and up to the Latest Practicable Date.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 504 employees, all of whom were based in the PRC. The following table sets forth the number of our employees by function as at the Latest Practicable Date:

Function	Number of employees	% of total
Management, administration and human resources	16	3.2
Finance	14	2.8
Sales and marketing	82	16.3
Technical research and development	12	2.4
Production	316	62.6
Equipment engineering	17	3.4
Quality control	6	1.2
Procurement	4	0.8
Warehouse and logistics	17	3.3
Others	<u>20</u>	<u>4.0</u>
Total	<u><u>504</u></u>	<u><u>100.0</u></u>

The human resources department is responsible for recruitment. Where the need for additional staff arises, the requesting department must submit a head count plan to the human resources department for approval. If approved, the human resources department will begin the recruitment process. We select candidates based on their merits in an objective, impartial and fair manner.

We offer our employees various in-house training programmes, such as induction training for new recruits and technical skills training. These programs serve as a way to inculcate employees into our business culture as our company grows and to continuously improve the quality of our employees. Our employees have to attend regular written assessments to ensure that they are still suitable for the positions.

In accordance with applicable laws and regulations in the PRC, we are required to make contributions to social insurance and housing provident fund for our employees. During the Track Record Period, we did not make adequate contributions to social insurance and housing provident funds for some of our employees as required by applicable PRC law and regulations. For more information about our compliance with the relevant social insurance and housing provident fund regulations, please refer to the paragraph headed “Legal proceedings and compliance” in this section. As advised by our

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PRC Legal Advisers, save for the said incident relating to payments of social insurance and housing provident funds, we had complied with applicable employment laws in all material respects during the Track Record Period.

We have established a labour union and our employees may join the labour union voluntarily. We believe that we maintain a good working relationship with our employees. During the Track Record Period, we did not experience any significant labour strike, disputes or difficulty in recruiting employees which would have a material impact on our operations.

INTELLECTUAL PROPERTY

Having a set of registered intellectual property rights is fundamental to our business. We currently hold a broad collection of trademarks in places such as Hong Kong and the PRC. Please refer to the paragraph headed “B. Further information about our business — 2. Intellectual property rights of our Group” in Appendix VI to this prospectus for further information.

Intellectual property protection

We rely on a combination of intellectual property protection laws, confidentiality agreements and contractual provisions in China and other jurisdictions to protect our intellectual property and trade secrets. To protect our intellectual property rights and trade secrets, our technical research and development department has established a policy that every employee should follow when preserving technical documents and confidentiality. Pursuant to our policy, all intellectual property that our employees create during their employment are owned by our Group and our employees are disallowed to transfer, sell, use or embezzle our intellectual property without our approval. Moreover, there is an access control for technical documents and trade secrets and the reading of these documents is subject to restriction. To safeguard our interests in intellectual property, we would apply for registration of our patents and trademarks. As at the Latest Practicable Date, our intellectual property portfolio included two registered patents for design, two registered patents for utility models and three registered invention patents. Please refer to the paragraph headed “B. Further information about our business — 2. Intellectual property rights of our Group” in Appendix VI to this prospectus for further information. Further, we have set up an intellectual property management team to manage, protect and supervise the use of our intellectual property and trade secrets. Such team is responsible for, among others, management of relevant documentation relating to our intellectual property and trade secrets and registration of our intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we a party to, any intellectual property rights infringement claims or litigations and were not aware of any material infringement of our intellectual property rights that had a material adverse effect on our business.

Third party intellectual property

It may be necessary to seek or renew licences relating to various aspects of our products in the future. Despite our previous success in obtaining such licences on commercially reasonable terms, we cannot guarantee that we could extend or renew such licences on reasonable terms or at all. Please also refer to the section headed “Risk factors — Risks relating to our business and industry” in this prospectus.

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PROPERTIES

Details of the properties owned by our Group in the PRC as at the Latest Practicable Date are set out in below:

Location	Permitted use	Approximate total site area (sq.m.)	Approximate gross floor area (sq.m.)	Expiry date of land use rights	Use
1. No. 398 Ping An East Road, Xukeng, Luoshan Street, Jinjiang City, Fujian Province, the PRC (中國福建省晉江市羅山街道許坑平安東路398號)	Industrial use	117,589	60,791.61 ⁽¹⁾	20 January 2056	The property is owned by our Group and used as our production facilities and staff quarters.
2. A parcel of land located at the Integrated Circuit Industrial Park, Jinjiang City, Fujian Province, the PRC ⁽²⁾ (中國福建省晉江市集成電路產業園)	Industrial use	19,967	—	16 January 2067	The property is owned by our Group and will be used as our production facilities

Notes:

- (1) Consisted of three warehouses, three factory buildings, two dormitory buildings and one ancillary office building.
- (2) On 15 December 2017, Jiujiuwang Food entered into a contract (the “**Contract**”) with the State-Owned Land Resources Bureau of Jinjiang City of Fujian Province* (福建省晉江市國土資源局) for the acquisition of a parcel of land of a site area of 19,967 sq.m. at a consideration of RMB13,860,000. We have obtained the ownership certificate of land use rights* (不動產權證). We intend to build new factory buildings to expand our production capacities in the future. According to the Contract, construction work on the land shall be commenced before 15 December 2018. As confirmed by the PRC government authority, namely Luoshan Street Office of the Local Government of Jinjiang City* (晉江市人民政府羅山街道辦事處) (the “**Local Office**”), construction work on the land cannot be commenced due to road planning work of relevant government department. As a result, no construction work could be commenced by our Group before 15 December 2018 according to the Contract. Our PRC Legal Advisers confirmed that the Local Office has the authority and is competent to give such confirmation. As further confirmed by the Local Office and advised by our PRC Legal Advisers, the road planning work has been completed.

Our PRC Legal Advisers attended an interview with the Natural Resources Bureau of Jinjiang City* (晉江市自然資源局 (previously the State-Owned Land Resources Bureau of Jinjiang City of Fujian Province)) which confirmed that (i) the delay in commencement of construction was not caused by our Group, (ii) our Group would not be liable for the delay in commencement of construction work under the Contract, (iii) no penalty would be imposed on our Group in relation to delay in construction commencement date, (iv) our Group can apply for construction commencement permit from relevant government authority after road construction work has been completed by local government, and (v) our Group is not required to apply for any extension of construction commencement date. Our PRC Legal Advisers confirmed that the Natural Resources Bureau of Jinjiang City has the authority and is competent to give such confirmations. The Natural Resources Bureau of Jinjiang City* (晉江市自然資源局) issued a written confirmation on 8 November 2019 which confirmed that (i) the commencement of the construction works has been hindered by the government’s road planning work; (ii) the land is not deemed as idle land based on the Measures for the Disposal of Idle Land (the “**Idle Land Measures**”); and (iii) the road planning work, which hindered the factory construction, has been completed. Also, as further advised by our PRC Legal Advisers, the relevant government authority shall issue a written notification in relation to idle land inspection to the landlord of the suspected idle land and issue idle land certificate when the land is deemed as idle. Given that (i) the Natural Resources Bureau of Jinjiang City is well aware of the land issue of the Group and no written notification nor idle land certificate were issued as at the Latest Practicable Date; and (ii) the confirmation issued by the Natural Resources Bureau of Jinjiang City on 8 November 2019 which confirmed that the Group’s land is not deemed as idle land in accordance with the Idle Land Measures, our PRC Legal Advisers are of the view that the road planning work which hindered the factory construction has been completed and there is no idle land issue arising from the land.

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On 28 April 2020, Jiujiuwang Food entered into a supplemental contract to the Contract (the “**Supplemental Contract**”) with the State-Owned Land Resources Bureau of Jinjiang City of Fujian Province* (福建省晉江市國土資源局) amending the construction terms. According to the Supplemental Contract, construction work on the land shall be commenced before 28 June 2020 and completed before 28 June 2022. As advised by our PRC Legal Advisers, it is unlikely that the State-Owned Land Resources Bureau of Jinjiang City of Fujian Province* (福建省晉江市國土資源局) would call Fujian Jiujiuwang accountable for breaching the Contract or impose penalties on it. In view of the recent market outlook, the Company is in the process to discuss with the State-Owned Land Resources Bureau of Jinjiang City of Fujian Province* (福建省晉江市國土資源局) to further delay the commencement date of the construction work.

Jiujiuwang Food entered into a supplemental contract dated 15 June 2020 and a second supplemental contract dated 30 October 2020 with a construction company, pursuant to which the construction for the supply of water, electricity and gas and the provision of telecommunication facilities and road access as well as the levelling of the ground on the construction site shall be commenced in June 2020 and completed by March 2021, and such work has been commenced. It is expected that the formal construction work would commence in or around March 2021 and the construction work will be completed in or around March 2022, tentatively, subject to the receipt of necessary licences, permits or approvals from relative authorities relating to the construction work and the construction work progress which may be beyond our control.

Pursuant to Rules 5.01A and 5.01B of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) is or is above 15% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the prospectus must include the full text of a valuation report for such property interest. As at 31 August 2020, being the date of which the most recent audited consolidated statements of the financial position of our Group, the carrying amount of our owned properties exceeds 15% of our total assets. Thus, a property valuation report in respect of our owned properties is included in this prospectus. For further details of the properties owned by our Group, please refer to the Property Valuation Report in Appendix IV to this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

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, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our management, could have a material adverse effect on our operations or financial condition. Our Directors have confirmed that, no member of our Group is currently engaged in any material litigation, arbitration or administrative proceeding.

Our PRC Legal Advisers are of the opinion that, save as disclosed below under the paragraph headed “Legal proceedings and compliance — Non-compliance incidents” in this section, we had complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we had not committed any material non-compliance of the laws or regulations, nor did we experience any systemic non-compliance incidents, which taken as a whole, in the opinion of our Directors, are likely to have material and adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any non-compliance of the laws or regulations, which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of our Company, our Directors or our senior management, to operate our business in a compliant manner.

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Non-compliance incidents

Set forth below is a summary of our non-compliance incidents during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters:

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance	Potential impact on our operations and financial condition
1.	Our PRC subsidiaries failed to make full social insurance contributions and housing provident fund for our employees as required under the relevant PRC laws and regulations.	The non-compliance was primarily caused by administrative oversight.	<p>Our PRC Legal Advisers have advised us that, under the relevant PRC laws and regulations, late fees and fines will be imposed on an employer for not making full social insurance payments and housing provident fund contributions for employees.</p> <p>If any competent government authority is of the view that the social insurance payments we made for our employees breached the requirements under relevant PRC laws and regulations, it can order us to pay the outstanding balance within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day. If we fail to pay the outstanding balance within the prescribed time period, we may be subject to a fine ranging between one to three times of the total outstanding balance.</p> <p>If any competent government authority is of the view that the housing provident funds we made for our employees breached the requirements under relevant PRC laws and regulations, it can order us to pay the outstanding balance within a prescribed time period. If we fail to do so, it can make an application to a people's court for compulsory enforcement.</p>	<p>As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant government authorities with respect to this non-compliance incident, nor had any order been received by our Company to settle any outstanding amount of social insurance payments and housing provident fund contributions.</p> <p>Since April 2019, our PRC subsidiaries have been making full social insurance contributions in accordance with relevant laws and regulations. Our PRC subsidiaries has made full housing provident funds since July 2019, being the earliest time when we can change the payment calculation basis on relevant government authority's payment system as advised by our PRC Legal Advisers.</p> <p>We had reviewed our internal control policy and have designated Ms. Tian Lan, our chief human resources officer to closely monitor our on-going compliance with social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures. We will make social insurance and housing provident fund contributions in accordance with the applicable laws and regulations going forward.</p> <p>Our Directors undertake to use their best endeavours to comply with the applicable laws and regulations.</p> <p>Moreover, our Controlling Shareholders have agreed to indemnify our Group for any loss arising from such non-compliance incident in connection to our Group.</p>	<p>We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay during the years ended 31 December 2017, 2018 and 2019 was approximately RMB1.8 million, RMB1.9 million and RMB0.5 million, respectively.</p> <p>According to the confirmation letters issued by the Human Resources and Social Security Bureau of Jinjiang City* (晉江市人力資源和社會保障局), the Jinjiang Management Department of Medical Protection Fund Management Centre of Quanzhou City* (泉州市醫療保障基金管理中心晉江管理部) on 1 December 2020, and the Jinjiang Management Department of Housing Provident Fund Management Centre of Quanzhou City* (泉州市住房公積金管理中心晉江市管理部) on 2 December 2020, no penalties were imposed on the relevant subsidiaries of our Group and the relevant subsidiaries of our Group have not been involved in any dispute or arbitration regarding social insurance and housing provident fund contributions with the relevant government authorities during the Track Record Period. Our PRC Legal Advisers confirmed that the relevant government authorities have the authority and are competent to give the confirmations. In view of the confirmations and the discussion with the relevant government authorities, our PRC Legal Advisers are of the view that the risk of our Group being penalised is relatively low.</p>

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No.	Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance	Potential impact on our operations and financial condition
2.	<p>Jiujiuwang Food discharged effluent of COD, ammonium nitrogen and liquid of pH level exceeding the permitted range under relevant PRC laws and regulations in 2017.</p> <p>On 25 September 2017, the Environmental Protection Bureau of Jinjiang City issued an administrative disciplinary decision against Jiujiuwang Food for discharging effluent of COD level exceeding the permitted range and ordered Jiujiuwang Food to (i) rectify the same before a designated deadline, and (ii) pay a fine of RMB33,515. Our PRC Legal Advisers confirmed that Jiujiuwang Food made the aforementioned fine payment on 29 September 2017 and the issue was settled.</p>	<p>The non-compliance was primarily caused by ageing of pipes.</p>	<p>Our PRC Legal Advisers have advised us that, under the relevant PRC laws and regulations, if water pollutants discharged exceeds the limits set by the national or local standards for discharge of water pollutants, or the permitted quantity for discharge of major water pollutants, relevant government authorities in charge of environmental protection may order that such water pollutants be treated within a time limit and impose a fine of not less than two times and not more than five times the pollutants discharge fee payable. Jiujiuwang Food has taken corresponding rectification measures and paid the required fines. The case was closed and did not constitute any major administrative punishment. As confirmed by our Directors, the incident did not cause any adverse impact on the business operation of Jiujiuwang Food.</p>	<p>Since 29 September 2017, we have been compliant with the relevant laws and regulations in relation to effluent and other waste discharge.</p> <p>We have reviewed our internal control policy and our Board has designated our personnel who is in charge of equipment engineering to closely monitor our on-going compliance with the applicable laws and regulations and oversee the implementation of any necessary measures. We will ensure compliance of the same going forward.</p> <p>Our Directors undertake to use the best endeavours to comply with the applicable laws and regulations.</p> <p>Moreover, our Controlling Shareholders have agreed to indemnify our Group for any loss arising from such non-compliance incident in connection to our Group, if any.</p>	<p>The aggregate amount of fines imposed on our Group in relation to the incident is RMB33,515.</p> <p>On the basis that (i) Jiujiuwang Food has already taken the relevant rectification measures in relation to incompliant discharge; (ii) Jiujiuwang Food has already paid the fine; (iii) the incident has already been settled; (iv) our PRC Legal Advisers are of the view that the incident would not have material impact on our operations considering that neither constitute serious administrative disciplinary actions; and (v) our Controlling Shareholders have agreed to indemnify our Group for any loss arising from such non-compliance incident in connection to our Group, our Directors believe that the incident have no material impact on our operations, and do not reflect negatively on the ability of our Group, our Directors or our senior management to operate in a compliant manner.</p>

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BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

The United States and other jurisdictions or organisations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries. During the Track Record Period, we generated a small amount of our revenue from the sales and/or deliveries of our products to customers located in the Relevant Countries. Russia, in particular, has been subject to a variety of additional sanctions measures since its actions in Crimea were deemed to be illegal by the governments of many Western governments and governmental organisations, including additional sanctions measures adopted by the United States in 2018. Further, the region of Crimea, which is located in between Russia and Ukraine, is subject to comprehensive international sanctions, and while we did not conduct any business transactions in Crimea during the Track Record Period, we sold our products to each of Russia and Ukraine. Our revenue generated from sales and/or deliveries to the Relevant Countries amounted to approximately RMB5.4 million, RMB6.5 million and RMB0.8 million, representing approximately 1.5%, 1.7% and 0.2% of our total revenue for each of years ended 31 December 2017, 2018 and 2019, respectively. For the eight months ended 31 August 2020, there was no sales and/or deliveries to the Relevant Countries. Other than our sales and/or deliveries to the Relevant Countries, we did not sell or deliver our products to any other countries subject to International Sanctions.

Our International Sanctions Legal Advisers, performed the following procedures to evaluate our risk of exposure to penalties imposed under International Sanctions laws and regulations:

- (a) reviewed documents provided by us about our Group, our business operations, marketing efforts, revenues, sales contracts, customer lists, subsidiaries, ownership structure and management;
- (b) reviewed our list of customers during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirming that none of these customers is on such lists; and
- (c) reviewed written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any subsidiary or other entity which forms part of our Group) had conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions.

As advised by our International Sanctions Legal Advisers after performing the procedures set out above, our activities during the Track Record Period did not appear to implicate restrictions under International Sanctions. Further, given the scope of our Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including our Company and its subsidiaries, their respective investors, shareholders, directors and employees and the Stock Exchange and its listing committee and group companies, the HKSCC and the SFC, or any person involved in the Global Offering and accordingly, the sanction risk exposure to our Company and its subsidiaries, their respective investors, shareholders, directors and employees and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of the Shares (including the Stock Exchange, its listing committee and related group companies, the HKSCC and the SFC) is very low.

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Our Directors confirm that we have not been notified that any International Sanctions would be imposed on us for our sales transactions to customers located in the Relevant Countries during the Track Record Period. None of our customers from those Relevant Countries are specifically identified on the SDN List by OFAC or other restricted parties lists maintained by the EU, Australia and the United Nations and therefore would not be deemed as sanctioned targets. Such sales do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions.

Since January 2019, we have completed the delivery of products to and ceased all our sales transactions with customers located in the Relevant Countries. Our Directors confirm that we do not intend to conduct any further business or sell any of our products to customers located in the Relevant Countries or other countries subject to International Sanctions in the future.

INTERNAL CONTROL

In preparation for the Listing, we have engaged an independent internal control consultant to conduct an evaluation of our internal control system covering various processes of our Group including sales and revenue, purchase and expenses, fixed assets, human resources and payroll, treasury and cash management, financial statements and information disclosure, tax management and information technology. The internal control consultant commenced its work in June 2018 and provided a number of findings and recommendations in its report. We have subsequently taken corrective actions in response to such findings and recommendations. The internal control consultant performed follow-up procedures on the actions taken by our Company and reported further commentary in March 2019.

To ensure on-going compliances with applicable laws and regulations upon the Listing and to prevent recurrence of non-compliance incidents in the future, our enhanced internal control measures include:

- the formalisation and enhancement of certain policies and procedures on matters such as anti-fraud and unethical conducts, pricing, inventory management, payroll and other employee benefits and risk management; and
- the strengthening of monitoring controls performed by appointing relevant managerial staff to monitor and engaging external legal advisers, as and when necessary, to advise on compliance of a range of matters with the relevant laws and regulations such as effluent discharge, social insurance and housing provident fund payments and purchase contracts.

After considering the remedial actions taken and the result of the follow-up review, our Directors are satisfied that our internal control system is adequate and effective for our operation.

Taking into account the internal control measures implemented by us in connection with the non-compliance incidents disclosed under the paragraph headed “Legal proceedings and compliance” in this section, the on-going monitoring and supervision by our Board and other staff members of our Group with the assistance and advice from professional external advisers where required, and the fact that, as confirmed by our Directors, the non-compliance incidents did not involve fraud or dishonesty, our Directors are of the view that our enhanced internal control measures are adequate and effective; the suitability of our Directors is compliant with Rules 3.08 and 3.09 of the Listing Rules; and our Company is suitable for listing under Rule 8.04 of the Listing Rules. Based on its review of the internal control

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report and other due diligence documents, discussions with our Directors, the internal control consultant and our PRC Legal Advisers and our Directors' confirmation, the Sole Sponsor concurs with the views of our Directors.

RISK MANAGEMENT

We are dedicated to establishing and maintaining risk management systems that are necessary to our business operations. We have adopted risk management policies and measures in various aspects such as strategies, operation, finance and legal compliance. Key operational risks faced by us include changes in general market conditions and perceptions of sugar confectionary market, changes in the regulatory environment in the industry, our ability to offer quality products or service to our customers, availability of financing to fund our potential expansion and business operations and competition from other industry players that offer similar products or services. In addition, we also face various market risks, such as interest rate and credit risk and liquidity risks that arise in the normal course of our business. Please refer to the section headed "Risk factors" in this prospectus for disclosures on various risks and uncertainties we face.

In order to meet these challenges, we have established the following risk management structures and measures:

- our Board is responsible for and has general power over the management and operations of our Group, and is in charge of managing the overall risks of our Group. It is responsible for analysing, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our business network into new geographic areas or to develop new products;
- our risk management committee is responsible for, among others, reviewing the risk management policies and monitoring the implementation of such policies by submitting an annual risk management report to the Board;
- each of our functioning departments is in charge of the daily business operations and risk monitoring, and is responsible for the supervision of respective fields of operations on a daily basis; and
- we have adopted various internal policies and procedures for various aspects of our operations. We provide training to our employees in order to enhance their knowledge of our business culture, with a view to manage our operational risks.

Our Directors have confirmed that no material failure occurred during the Track Record Period and we believe that our risk management system is sufficient and effective.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately prior to the Global Offering, Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian will together be beneficially interested in approximately 97% of our issued share capital in aggregate. Immediately following the completion of the Global Offering, it is expected that Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian will be beneficially interested in approximately 72.75% of our issued share capital in aggregate (assuming the Over-allotment Option is not exercised). For the background of Mr. Zheng Zhenzhong and Mr. Zheng Guosi, please refer to the section headed “Directors and senior management” in this prospectus.

OUR CONTROLLING SHAREHOLDERS ACTING IN CONCERT

Since 22 January 2010, our Controlling Shareholders have adopted a consensus building approach to reach decisions on a unanimous basis in making management decisions of our Group and exercising their voting rights at the meetings of the shareholders and boards of the members of our Group.

On 29 March 2019, Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian entered into the Concert Parties Confirmatory Deed to confirm the existence of such acting-in-concert arrangement described above since 22 January 2010. They further jointly and severally undertook that, during the period they remain in control of our Group, they will maintain the above acting-in-concert arrangement. For details, please refer to the section headed “History, development and Reorganisation — Parties acting in concert” of this prospectus.

RULE 8.10 OF THE LISTING RULES

During the Track Record Period, save as the past related party transactions with Gary & Bros Confectionary as disclosed in the paragraph headed “Past related party transactions” in this section, our Group did not have any business dealings with companies associated with or controlled by our Controlling Shareholders and there was no overlapping of business between our Group and our Controlling Shareholders.

Our Directors, to the best of their knowledge, information and belief, having made all reasonable enquiries, have confirmed that, none of our Controlling Shareholders, our Directors and their respective close associates is interested in any business, apart from the business operated by members of our Group, which competes, or likely to compete, directly or indirectly, with the business of our Company, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from our Controlling Shareholders and their close associates after Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises three executive Directors and three independent non-executive Directors. Two of our executive Directors, namely, Mr. Zheng Zhenzhong and Mr. Zheng Guosi, are also our Controlling Shareholders. Nevertheless, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions, and shall not be counted in forming quorum subject to the provision of the Articles of Association; and
- (c) Our Group has established our own management, finance, human resources, administration, procurement, sales and marketing, quality control departments which are responsible for daily operations of our Group.

Operational independence

We do not share operation team, facilities and equipment with the close associates of our Controlling Shareholders. Our Group has also established a set of internal control measures to facilitate the effective operations of our business. Our Group's customers, suppliers and distributors are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their close associates and has an independent management team to handle our day-to-day operations. As advised by our PRC Legal Advisers, we are in possession of all relevant licences, permits and approvals necessary to carry on and operate our business during the Track Record Period and up to the Latest Practicable Date. We also have sufficient workforce to operate independently from our Controlling Shareholders and their close associates.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. Our Group has sufficient capital to operate our business independently, and has adequate internal resources to support its day-to-day operations.

During the Track Record Period and up to the Latest Practicable Date, our Group had relied principally on shareholder's equity, cash generated from operations and bank borrowings to finance its business. Upon completion of the Global Offering, we expect that our operations will be financed mainly by the net proceeds from the Global Offering, internally generated funds and borrowings from financial institutions.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

During the Track Record Period, our Group had certain amounts due from/(to) Mr. Zheng Zhenzhong, one of our Controlling Shareholders, an executive Director and the chairman of our Board, details of which is set out in note 20 to the accountants' report in Appendix I to this prospectus. These balances will be settled before Listing.

During the Track Record Period, Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian together with their respective spouse and other independent third parties (collectively the “**Guarantors**”) had provided guarantees in respect of certain bank borrowings/facilities. Please refer to note 25 to the accountants' report in Appendix I to this prospectus. The banks that granted us the outstanding banking facilities as at the Latest Practicable Date has agreed that the guarantees provided by the Guarantors in respect of the relevant facilities be released and replaced by a corporate guarantee by our Company upon, among others, the successful Listing.

Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by the net proceeds from the Global Offering, our operating income and bank borrowings. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and their close associates.

In October 2020, Jiujiuwang Food entered into a counter-guarantee agreement (the “**Counter-guarantee Agreement**”) with Jinjiang City Houxin Financing Guarantee Company Limited* (晉江市厚信融資擔保有限公司) (“**Houxin Financing**”), which is a state-owned financing company established in the PRC and an Independent Third Party. Pursuant to the Counter-guarantee Agreement, Jiujiuwang Food agreed to provide a counter guarantee of up to RMB5.0 million by way of pledge of certain machinery including packaging machines and equipment, production line and case labelling equipment, of an aggregate carrying amount of approximately RMB4.4 million, in favour of Houxin Financing. Then, Houxin Financing provided a guarantee of up to RMB5.0 million to a bank loan granted to Mr. Zheng Guodian. Such bank loan, with a principal amount of RMB5.0 million, was granted by Rural Commercial Bank of Jinjiang to Mr. Zheng Guodian in November 2020 for use as general working capital of his tea trading business.

Subsequently, Jiujiuwang Food and Houxin Financing entered into a termination agreement dated 10 December 2020, pursuant to which the Counter-guarantee Agreement was terminated with immediate effect and Jiujiuwang Food was discharged from all its obligations and/or liabilities arising thereunder. Save for the aforesaid, our Directors confirm that neither our Company nor any member of our Group has provided any form of financial assistance to any Controlling Shareholders and/or their close associates.

Accordingly, our Directors consider that our Group is capable of operating independently from a financial perspective.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

PAST RELATED PARTY TRANSACTIONS

Gary & Bros Confectionary was established in the PRC on 29 December 2014 for the purpose of engaging in, among others, the sale of food products business and was owned as to 15% by Mr. Zheng Guosi as a passive investor, our executive Director, and as to 85% by other Independent Third Parties since 30 September 2015. Mr. Zheng Guosi had not been involved in the operation and the day-to-day management of Gary & Bros Confectionary. On 5 December 2018, Mr. Zheng Guosi completed the transfer of his entire 15% equity interest in Gary & Bros Confectionary to an Independent Third Party, who was also a then-existing shareholder of Gary & Bros Confectionary, at a consideration of RMB1,500,000 which was determined based on arms length negotiation after having considered the financial performance of Gary & Bros Confectionary and with reference to the then capital contribution of Mr. Zheng Guosi in Gary & Bros Confectionary of RMB1.5 million on 30 September 2015 (the “Disposal”). To avoid any potential conflict of interest between Mr. Zheng Guosi and our Group which may arise from the transactions between Gary & Bros Confectionary and our Group due to Mr. Zheng Guosi’s interest in Gary & Bros Confectionary, Mr. Zheng Guosi considered that the said consideration was a fair and reasonable given his will to dispose of his interests in Gary & Bros Confectionary, taking into account the audited net liabilities of Gary & Bros Confectionary of approximately RMB25.9 million as at 31 December 2017 and the breakeven condition of Gary & Bros Confectionary close to the time of disposal. After the Disposal, Mr. Zheng Guosi ceased to hold any interest in Gary & Bros Confectionary and Gary & Bros Confectionary ceased to be a related party of our Group. Our Directors, after due inquiry, confirmed that our Group, its shareholders, directors and management or any of their respective associates did not finance any expansion of Gary & Bros Confectionary directly or indirectly and that Mr. Zheng Zhenzhong, his family members and their investee entities did not provide any guarantees or security in respect of any financing arrangement which has funded or is funding the establishment and/or operation of Gary & Bros Confectionary up till the Latest Practicable Date, save for the past investment of Mr. Zheng Guosi in the 15% equity interest in Gary & Bros Confectionary.

Gary & Bros Confectionary has been our customers for approximately four years. We first explored business opportunities with Gary & Bros Confectionary through Mr. Zheng Guosi. Leveraging on the in-depth market knowledge and working experience of the founders of Gary & Bros Confectionary in the confectionary industry in the PRC and the substantial marketing efforts of Gary & Bros Confectionary, Gary & Bros Confectionary successfully expanded its market in the PRC and its brand became one of the top 10 largest confectionary brands by retail sales value in the PRC in 2018. Due to the expansion of business of Gary & Bros Confectionary, our sales to Gary & Bros Confectionary increased during the Track Record Period. During the Track Record Period, Gary & Bros Confectionary has been our customer and has purchased our products. Gary & Bros Confectionary contributed to approximately 22.2%, 25.1%, 23.8% and 20.0% of our revenue for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020 respectively. Please refer to the section headed “Financial information — Related party transactions” in this prospectus for full details of these related party transactions. Irrespective of Mr. Zheng Guosi’s previous interest in Gary & Bros Confectionary and the Disposal, our Group will continue to be a supplier of Gary & Bros Confectionary should it place order with us.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has, unconditionally and irrevocably, undertaken to us in the Deed of Non-Competition that he/it will not, and will procure his/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business (the “**Restricted Activity**”), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholders and/or his/its close associates hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they are not entitled to appoint a majority of the composition of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to him/it or any of his/its close associates, he/it shall, and shall procure that his/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days (or such other period as the independent non-executive Directors may agree) of identifying the target company (if relevant) and provide to our Company the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from our Board or a Board committee (comprising only independent non-executive Directors who have no interest in the Competing Business Opportunity (the “**Independent Board**”)) as to whether to pursue or decline the Competing Business Opportunity. Any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity;
- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such Competing Business Opportunity at the costs of our Company;
- the Independent Board shall, within 30 business days (or such other period as the independent non-executive Directors may agree) of receipt of the Offer Notice, inform the relevant Controlling Shareholder(s) in writing on behalf of our Company its decision whether to pursue or decline such Competing Business Opportunity;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- the relevant Controlling Shareholder(s) shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond to the Offer Notice within 30 business days of the receipt of which (or such other period as the independent non-executive Directors may agree); and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Controlling Shareholder(s), he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The obligations of our Controlling Shareholders under this Deed will remain in effect during the period from the Listing Date until the earlier of the date on which (i) our Controlling Shareholders and his/its close associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the threshold for determining a Controlling Shareholder) or more of the then issued share capital, securities or other interests of our Company directly or indirectly; or (ii) the Shares cease to be listed on the Stock Exchange (except for temporary suspension of the Shares due to any reason).

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that he/it will, and shall procure his/its close associates to, provide all information necessary for the annual review by our independent non-executive Directors of their compliance of the Deed of Non-competition;
- our Company will disclose the review result by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-competition, he/it may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

1. the Articles provide that a Director shall not vote (nor shall he be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested;
2. our independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
3. our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
4. our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition of our Controlling Shareholders in the annual reports or by way of announcements of our Company;
5. our Controlling Shareholders will make an annual declaration on compliance with their Deed of Non-Competition in the annual report of our Company;
6. our independent non-executive Directors will be responsible for deciding whether or not our Company would accept the offer of Competing Business Opportunity; and
7. our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-Competition or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

DIRECTORS AND SENIOR MANAGEMENT

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of six Directors including three executive Directors and three independent non-executive Directors. The power and duties of the Board include convening shareholders' meetings and reporting the Board's work at shareholders' meeting, implementing resolutions passed at shareholders' meetings, determining our Group's business plans and investment plans, formulating our Group's annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of share capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association. All of our Directors have entered into service contracts or signed letters of appointment with our Group.

The following table sets forth certain information relating to our Directors:

Name	Age	Present position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and senior management
Executive Directors						
Mr. Zheng Zhenzhong (鄭振忠)	61	Chairman, chief executive officer and executive Director	21 February 2017	4 July 1999	Formulating the overall strategic planning and monitoring the operational efficiency of the management system and serving as the chairman of the nomination committee, member of the remuneration committee and the risk management committee	Father of Mr. Zheng Guosi
Mr. Zheng Guosi (鄭國思)	37	Executive Director	17 November 2017	1 January 2001	Operation of the business and formulating the overall sales strategies of our Group	Son of Mr. Zheng Zhenzhong
Mr. Chen Kan (陳侃)	32	Executive Director and chief financial officer	4 January 2019	13 December 2012	Establishing and improving the accounting and financial management system of our Group, managing the finance and accounting operation of our Group, analysing operation and financial performance of our Group and coordinating the preparation of financial reports for effective decision making of our Group	None
Independent non-executive Directors						
Mr. Wang Linan (王禮南)	65	Independent non-executive Director	18 February 2021	18 February 2021	Serving on the audit, remuneration, nomination and risk management committees and primarily responsible for supervising and providing independent judgment to our Board	None
Mr. Wu Shiming (吳世明)	45	Independent non-executive Director	18 February 2021	18 February 2021	Serving on the audit and risk management committees and primarily responsible for supervising and providing independent judgment to our Board	None
Mr. Chen Congming (陳聰明)	54	Independent non-executive Director	18 February 2021	18 February 2021	Serving on the audit, remuneration and nomination committees and primarily responsible for supervising and providing independent judgment to our Board	None

DIRECTORS AND SENIOR MANAGEMENT

The following table sets out the information regarding the senior management members of our Company.

Name	Age	Present position	Date of appointment as senior management	Date of joining our Group	Roles and responsibilities	Relationship with the Director(s) and senior management
Mr. Chen Minfei (陳敏飛)	49	Chief production officer	9 October 2016	9 October 2016	Overseeing and managing overall production activities of our Group	None
Mr. Wang Guojun (王國軍)	52	Chief technical and quality officer	27 November 2012	27 November 2012	Overseeing the research and development of new products and supervising the quality control of products of our Group	None
Mr. Pei Huiming (裴慧鳴)	49	Chief marketing officer	6 October 2014	6 October 2014	Overseeing the marketing and sales functions of our Group	None
Ms. Tian Lan (田嵐)	42	Chief human resources officer	1 October 2015	6 April 2013	Overseeing human resource management and administrative management of our Group	None

EXECUTIVE DIRECTORS

Mr. Zheng Zhenzhong (鄭振忠), aged 61, is the founder of our Group, chairman of the Board, executive Director and chief executive officer of our Company and was appointed as a Director on 21 February 2017. He was redesignated as executive Director of the Company on 6 May 2019. He is primarily responsible for formulating the overall strategic planning and monitoring the operational efficiency of the management system. Mr. Zheng has been the chairman and procurement director of Jiujiuwang Food since July 1999 and has served as a director of Coolsa Food, Jiujiuwang Food and Jiujiuwang Co since their establishment. Under Mr. Zheng's leadership, our business has grown into a food manufacturing company with a multi-brand product portfolio in Fujian Province. From May 1994 to October 2016, Mr. Zheng served various roles, including general manager and director, in Jinjiang Weijia Food Co., Ltd.* (晉江味佳食品有限公司), a company engaged in the manufacture of confectionary products and has no operation since July 2013 up to his resignation, and he was responsible for business management. Mr. Zheng has accumulated more than 26 years of experience in the confectionary industry in the PRC.

Besides his role in our Group, Mr. Zheng was involved in various educational institutions, including being:

- the school manager* (校董) of Jinjiang City Huatai Experimental Primary School* (晉江市華泰實驗小學) from June 2012 to June 2015; and
- the school manager* (校董) of Jinjiang City Luoshan Middle School* (晉江市羅山中學) from June 2016 to June 2017.

Mr. Zheng Zhenzhong graduated from Quetang Village Primary School* (缺塘村小學) in June 1971.

Mr. Zheng Zhenzhong was a director of Jinjiang Xinghua Food Co., Ltd.* (晉江市興華食品有限公司), a company established in the PRC, which was engaged in the manufacturing of confectionary products immediately before its dissolution on 9 June 2013 by reason of cessation of business. As

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confirmed by Mr. Zheng Zhenzhong, (a) the dissolution of such business entity was due to cessation of business; (b) there was no wrongful act on his part leading to the aforesaid dissolution of business entity; (c) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the business entity; and (d) the business entity was solvent immediately prior to its dissolution.

Mr. Zheng is the father of Mr. Zheng Guosi, another executive Director.

Mr. Zheng Guosi (鄭國思), aged 37, was appointed as a Director on 17 November 2017 and was redesignated as executive Director of the Company on 6 May 2019. Mr. Zheng Guosi has been working as the general manager and supervisor of Jiujiuwang Food since January 2013 and January 2010, respectively. He assumes overall responsibility for the operation of the business and formulating the overall sales strategies of our Group. Mr. Zheng Guosi has accumulated over 20 years of experience in the confectionary industry in the PRC since he joined Jiujiuwang Food in January 2001. From January 2001 to December 2003, Mr. Zheng Guosi worked as the assistant sales manager of Jiujiuwang Food, mainly being responsible for collecting and analysing sales data and providing customer services. From January 2004 to December 2008, he worked as the sales manager of Jiujiuwang Food, mainly being responsible for implementation of sales plan of our Group. From January 2009 to December 2012, he worked as the sales director of Jiujiuwang Food, mainly being responsible for supervising and leading the sales team to achieve sales target. From April 2015 to October 2016, he also served various roles, including general manager, legal representative and director in Jinjiang Weijia Food Co., Ltd., and he was responsible for business management.

Mr. Zheng Guosi completed his high school studies at Jinjiang City Jiyan Middle School* (晉江市季延中學) in July 2000.

Mr. Zheng Guosi is a son of Mr. Zheng Zhenzhong, chairman of the Board, executive Director and chief executive officer of our Company.

Mr. Chen Kan (陳侃), aged 32, is an executive Director and chief financial officer of our Company. He was appointed as a Director on 4 January 2019 and was redesignated as executive Director of the Company on 6 May 2019. Mr. Chen joined our Group in December 2012. Mr. Chen is the financial controller of Jiujiuwang Food. He is responsible for (i) establishing and improving the accounting and financial management system of our Group, (ii) managing the finance and accounting operation of our Group, (iii) analysing operation and financial performance of our Group; and (iv) coordinating the preparation of financial reports for effective decision making of our Group.

Mr. Chen has over 10 years of experience in accounting and financial management. Before joining our Group, Mr. Chen worked at Xiamen Juxin Investment Company Limited* (廈門颯鑫投資有限公司), which is primarily engaged in investment in primary, secondary and tertiary industries, as financial director, and was responsible for the overall financial accounting, financing and management, from July 2010 to December 2012.

Mr. Chen received a bachelor's degree majoring in geography information system and minoring in international economics and trade from Sun Yat-sen University (中山大學) in June 2010. Mr. Chen was awarded the certificate of accounting professional by Zhangshu Municipal Finance Bureau* (樟樹市財政局) in August 2010.

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INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Linan (王禮南先生), aged 65, was appointed as our independent non-executive Director on 18 February 2021. Mr. Wang serves on the audit, remuneration, nomination and risk management committees and is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, between September 1988 and March 2016, Mr. Wang worked in Jinjiang County Commission for Inspection and Supervision Bureau* (晉江縣監察局) as section member* (科員), deputy chief of the monitoring unit* (監察股副股長), deputy director general of Jinjiang County (City) Commission for Inspection and Supervision Bureau* (晉江縣(市)監察局副局長), member of the standing committee of Jinjiang City* (晉江市紀委常委), deputy secretary* (副書記) and worked in Quanzhou City Commission for Discipline Inspection Supervision Bureau* (泉州市紀委監察局) as deputy director discipline inspector* (副處級紀檢監察員).

Mr. Wang studied physics and graduated from Jinjiang Regional Normal College* (晉江地區師範大專班) in April 1981. Mr. Wang then studied law and graduated from the Correspondence College of Party School of the Central Committee of the Communist Party of China* (中共中央黨函授學院) in December 2001.

Mr. Wu Shiming (吳世明先生), aged 45, was appointed as our independent non-executive Director on 18 February 2021. Mr. Wu serves on the audit and risk management committees and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Wu has over 25 years of experience in accounting and financial management. From November 2014 to present, Mr. Wu served as executive director and general manager of Xiamen Pivot Software Co., Ltd* (廈門支點軟件技術有限公司), mainly being responsible for formulating the company's development strategy, supervising the company's operation and management, reviewing and approving the company's financial report, and managing and supervising the company's financial activities. From December 2008 to September 2017, Mr. Wu served as a supervisor in Xiamen Bank Co., Ltd* (廈門銀行股份有限公司). Between January 2001 and February 2017, Mr. Wu was appointed as deputy chief executive officer in Xiamen Sumpo Group Company Limited* (廈門森寶集團有限公司), being responsible for monitoring the financial and operational performance and internal control, and executive director in Leyou Technologies Holdings Limited (樂遊科技控股有限公司) (stock code: 1089) from December 2010 to September 2017, being responsible for the overall strategic management and financial management. Between July 1995 and December 2000, Mr. Wu was the accountant of Xiamen Sumpo Group Company Limited* (廈門森寶集團有限公司), mainly being responsible for accounting-related matters. Mr. Wu was appointed as the independent non-executive director of China Gem Holdings Limited (中國中石控股有限公司) (stock code: 1191) (formerly known as Yueshou Environmental Holdings Limited (粵首環保控股有限公司)) between July 2014 and May 2018 and the independent non-executive director of Pak Tak International Limited (百德國際有限公司) (stock code: 2668) between September 2014 and August 2016. He was appointed as the independent non-executive director of China Putian Food Holding Limited (中國普甜食品控股有限公司) (stock code: 1699) between February 2012 and July 2019, the independent non-executive director of Theme International Holdings Limited (榮暉國際集團有限公司) (stock code: 990) since May 2015, and the independent non-executive director of Miko International Holdings Limited (米格國際控股有限公司) (stock code: 1247) since July 2018.

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Mr. Wu studied foreign economic enterprise financial accounting* (外經企業會計) and graduated from Jimei University (集美大學) in June 1995. Mr. Wu studied online courses at Xidian University (西安電子科技大學) and obtained a degree of finance in March 2011. Mr. Wu became a qualified intermediate accountant in the PRC in December 2001 after he passed the national examination jointly organised by the Ministry of Finance and the Ministry of Personnel of the PRC.

Mr. Wu was a director of the companies below, which were struck off and dissolved as these companies ceased to carry on business. As confirmed by Mr. Wu, each of these companies was either inactive or dormant at the time when they were dissolved and so far as he was aware, the dissolution of these companies has not resulted in any liability or obligation being imposed against him. Mr. Wu confirmed that there is no wrongful act on his part leading to the dissolutions of the following companies.

Name of company	Place of incorporation	Date of dissolution	Nature of business before dissolution
Shenzhen Senguang Trading Co., Ltd.* (深圳市森廣貿易有限公司)	PRC	9 December 2013	Deregistered
Shenzhen Senyue Technology Co., Ltd.* (深圳市森悅科技有限公司)	PRC	9 December 2013	Deregistered
Fujian Senbao Asset Management Co., Ltd.* (福建森寶資產管理有限公司)	PRC	28 December 2016	Deregistered
Guangzhou Senguang Trading Co., Ltd.* (廣州市森廣貿易有限公司)	PRC	13 February 2006	Deregistered

Mr. Chen Congming (陳聰明先生), aged 54, was appointed as our independent non-executive director on 18 February 2021. Mr. Chen serves on the audit, remuneration and nomination committees and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Chen started his own business in 1996 and set up Fujian Jinjiang Mingxing Motorcycle Trading Co. Ltd* (福建省晉江市明星摩托車貿易有限公司), being the executive director and general manager and mainly being responsible for determining the business policy as well as in charge of the day-to-day management and operation. Mr. Chen has accumulated years of experience in managing and operating his trading company. Leveraging on his success in the industry, Mr. Chen has been the vice chairman of Jinjiang Motor Vehicle Association* (晉江市機動車協會) since March 2009. Mr. Chen has been the vice chairman of Jinjiang Luoshan Chamber of Commerce* (晉江市羅山商會) since January 2017 and he is mainly responsible for participating and overseeing the implementation of committee matters.

Mr. Chen graduated from Jinjiang Fupu Primary School* (晉江福埔小學) in June 1978.

Mr. Chen was a sole proprietor of Jinjiang City Luoshan Great Yangtze River Motorcycle Accessories Department* (晉江市羅山大長江摩托車配件部), an individual industrial and commercial household (個體工商戶) established in the PRC, which was dissolved on 14 June 2019 as such enterprise ceased to carry on business. As confirmed by Mr. Chen, such enterprise was inactive at the time when it was dissolved, and so far as he was aware, the dissolution of such enterprise has not resulted in any liability or obligation being imposed against him. Mr. Chen confirmed that there is no wrongful act on his part leading to the dissolution of such enterprise.

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Save as disclosed above, each of our Directors has confirmed that:

- (i) he does not and has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus;
- (ii) there is no other information in respect of such Director to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and
- (iii) there is no other matter that needs to be brought to the attention of our Shareholders.

Save as disclosed in the prospectus, none of our Directors has any interests in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, are as follows:

Mr. Chen Minfei (陳敏飛), aged 49, is the chief production officer of our Company. He is responsible for overseeing and managing overall production activities of our Group. Mr. Chen joined our Group as production director in October 2016. Mr. Chen has over 24 years of experience in the manufacturing industry. Prior to joining our Group, Mr. Chen worked as senior production manager at Mars Wrigley Confectionery (China) Limited (瑪氏箭牌糖果(中國)有限公司) from June 1996 to October 2013, mainly being responsible for product production supervision. He then worked as plant manager at Guangzhou Uniasia Cosmetics Technology Co., Ltd. (廣州環亞化妝品科技有限公司) from March 2014 to August 2015, mainly being responsible for supervising the production of cosmetics. Afterwards, he served as production director at Guangdong Shishangsheng Cosmetics Manufacturing Co., Ltd.* (廣東十長生化妝品製造有限公司) from August 2015 to August 2016, mainly being responsible for product production supervision. Mr. Chen graduated with a bachelor's degree in food chemistry from Nanchang University (南昌大學) in July 1994.

Mr. Wang Guojun (王國軍), aged 52, is the chief technical and quality officer of our Company. He is responsible for overseeing the research and development of new products and supervising the quality control of products of our Group. Mr. Wang joined our Group as research and development director in November 2012. Mr. Wang has over 30 years of experience in the food and confectionary industry in the PRC. Prior to joining our Group, Mr. Wang worked at Shanghai Tianshan Huimin Food Factory* (上海天山回民食品廠) from September 1990 to April 2002, with his last position being plant manager, mainly being responsible for overall management. He then served as plant manager of Shanghai Big White Rabbit Candy Factory* (上海大白兔糖果廠) from April 2002 to May 2004, mainly being responsible for overall management of products. Afterwards, he served as research and development manager and technical quality control manager at Shanghai Guan Sheng Yuan Food Co., Ltd.* (上海冠生園食品有限公司) from May 2004 to November 2012, mainly being responsible quality control and research and development. Mr. Wang graduated from Wuxi Institute of Light Industry* (無錫輕工業學院) (now known as Jiangnan University (江南大學)) with a bachelor's degree in food science and engineer (food) in 1990. He joined our Group in November 2012. He was awarded the qualification of quality engineer and senior engineer by Shanghai Personnel Bureau in June 2005 and December 2005,

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respectively. Mr. Wang was then awarded the qualification of national confectionary appraiser by the confectionary committee of China National Food Industry Association (中國食品工業協會糖果專業委員會) in October 2009.

Mr. Pei Huiming (裴慧鳴), aged 49, is the chief marketing officer of our Company. He is responsible for overseeing the marketing and sales functions of our Group. He joined our Group as vice general manager in sales and marketing in October 2014. Mr. Pei has over 15 years of experience in sales and marketing in the food and confectionary industry in the PRC. Prior to joining our Group, Mr. Pei worked as sales representative of Changsha Branch of Guangzhou Pepsi Cola Beverage Co., Ltd.* (廣州百事可樂飲料有限公司) from April 1995 to May 1999, mainly being responsible for product sales. Afterwards, he joined Jiakou Food (China) Co., Ltd.* (佳口食品(中國)有限公司), serving as regional sales manager from June 1999 to April 2004, mainly being responsible for regional market planning and sales. From April 2004 to October 2005, he served as sales support manager of Mars Wrigley Confectionery (China) Limited (瑪氏箭牌糖果(中國)有限公司), mainly being responsible for sales operation, sales planning and product coordination, sales administration and data management. Mr. Pei graduated from Huazhong University of Science and Technology (華中科技大學) in July 2001 with a bachelor's degree in international trade.

Ms. Tian Lan (田嵐), aged 42, is the chief human resources officer of our Company. She is responsible for overseeing human resource management and administrative management of our Group. She joined our Group as human resources manager in April 2013. Ms. Tian has over 20 years of experience in human resources and administrative management in the PRC. Prior to joining our Group, Ms. Tian worked as human resources specialist at Taoshan Hotel of Hubei Provincial People's Government* (湖北省人民政府桃山迎賓館) from April 2000 to February 2002, mainly being responsible for staff recruitment related matters. From June 2002 to January 2006, she worked as human resources supervisor of Wuhan Xiongmeng Environmental Technology Development Co., Ltd.* (武漢市雄銘環境科技發展有限公司), mainly being responsible for staff recruitment. Afterwards, she worked as human resources manager at the Wuhan Branch of Wuhan Strait Telecommunications Equipment Co., Ltd.* (武漢海峽電訊器材有限公司) from March 2006 to September 2012, mainly being responsible for staff recruitment matters. Ms. Tian graduated from Central China Normal University (華中師範大學) in June 2000 with a diploma in finance and accounting. She was awarded the qualification of human resource administrator (class II) by Occupational Skill Testing Authority of the Ministry of Human Resources and Social Security* (人力資源和社會保障部職業技能鑒定中心).

COMPANY SECRETARY

Mr. Ng Kin Sun (吳建新), aged 51, was appointed as the company secretary of our Company on 20 March 2019. Mr. Ng graduated from University of Western Sydney, Nepean (currently known as Western Sydney University) in Australia with a bachelor's degree in Commerce in May 1994. He also obtained a master's degree in business administration from the University of Manchester in the United Kingdom in June 2011. Mr. Ng became an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in April 1998 and a certified practising accountant of CPA Australia (formerly known as Australia Society of Certified practising Accountants) in August 1997, respectively. Mr. Ng has over 25 years of experience in auditing and financial management, company secretarial matters and regulatory compliance matters gained from

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various international accounting firms and listed companies. During the three years immediately preceding the Latest Practicable Date, Mr. Ng has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

BOARD COMMITTEES

We have established the following committees under our Board of Directors: audit committee, remuneration committee, nomination committee and risk management committee. The committees operate in accordance with their respective terms of reference established by our Board of Directors.

Audit committee

Our Company established the audit committee on 18 February 2021 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members: 3 independent non-executive Directors, namely, Mr. Wang Linan, Mr. Wu Shiming and Mr. Chen Congming. The chairman of the audit committee is Mr. Wu Shiming. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Group.

Remuneration committee

Our Company established the remuneration committee on 18 February 2021 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members: two independent non-executive Directors, namely, Mr. Wang Linan and Mr. Chen Congming, and one executive Director, namely, Mr. Zheng Zhenzhong. The chairman of the remuneration committee is Mr. Wang Linan. The primary duties of the remuneration committee are to evaluate and make recommendations to the Board on the remuneration policy covering our Directors and senior management of our Group.

Nomination Committee

Our Company established the nomination committee on 18 February 2021 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members: two independent non-executive Directors, namely, Mr. Wang Linan and Mr. Chen Congming, and one executive Director, Mr. Zheng Zhenzhong. The chairman of the nomination committee is Mr. Zheng Zhenzhong. The primary duties of the nomination committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors of our Company and to oversee the process for evaluating the performance of the Board.

Risk management committee

Our Company established the risk management committee on 18 February 2021 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The risk management committee consists of three members: one executive Director, namely, Mr. Zheng Zhenzhong, and two independent non-executive Directors, namely, Mr. Wang Linan and Mr. Wu Shiming. The chairman of the risk management committee is Mr. Wu Shiming. The primary

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duties of the risk management committee of our Company are to enhance our Company's risk management ability and improve corporate governance of our Company, as well as assess the latest sanction-related risks our operations may be exposed to.

BOARD DIVERSITY

To enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to our board diversity policy, we seek to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service with our Company. The policy focuses on ensuring a balance composition of skills and experience at our Board level in order to provide a range of perspectives, insights and challenge that enable our Board to execute its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of our Group, and support succession planning and development of our Board. The ultimate decision in selecting the members of the Board will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge, skills and experience, including the areas of accounting, financial management, and food production industries. They obtained academic diplomas and degrees in various majors, including geography information system, international economics, law and foreign economic enterprise financial accounting. We have three independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 32 to 65 years old.

Our nomination committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules. While we recognise that the gender diversity at the Board level can be improved given its current composition of all male Directors, we will continue to apply the principle of appointments based on merits with reference to our Board diversity policy as a whole and are committed to provide career development opportunities for female staff. Our nomination committee is delegated by our Board to take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments so as to achieve an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing our Board to mixed gender. Our nomination committee will aim to recommend at least one female Director candidate to the Board for its consideration at least once per year, with the aim of adding at least one female Director to the Board within one year after Listing. Our nomination committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

We are also committed to adopting similar approach to promote diversity, including but not limited to gender diversity, at all other levels of our Company from the Board downwards to enhance the effectiveness of our corporate governance as a whole.

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CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures to promote and ensure accountability.

Pursuant to code provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules, the role of the chairman and chief executive officer of our Company should be separate and should not be performed by the same individual. In considering that (a) the day-to-day responsibilities of the chief executive officer have been assumed by Mr. Zheng Zhenzhong, who is also the chairman of our Company; and (b) Mr. Zheng Zhenzhong is chairman of our Group and has extensive experience in our business operation and management in general, there is no separation of the roles of the chairman and the chief executive officer of our Company. Given the current stage of the development of our Group, the Board is of the view that vesting the two roles in the same person provides our Company with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategies which are in the best interests of our Company.

Under the leadership of Mr. Zheng Zhenzhong, the Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committee, and there are three independent non-executive Directors on the Board offering independent perspective, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of our Company.

Save as disclosed above, we will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

COMPLIANCE ADVISER

We have appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

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The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Company in the form of fees, salaries, allowances and benefits-in-kind, discretionary bonuses and pension scheme contributions.

The aggregate amount of remuneration of our Directors including fees, salaries, discretionary bonuses, contributions to pension schemes, housing allowances and other allowances and benefits in kind incurred by our Group (excluding the share-based compensation) for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020 was approximately RMB722,000, RMB717,000, RMB795,000 and RMB516,000, respectively.

The aggregate amount of remuneration including fees, salaries, discretionary bonuses, contributions to pension schemes, housing allowances and other allowances and benefits in kind which were paid by our Group (excluding the share-based compensation) to the five highest paid individuals for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020 was approximately RMB1,896,000, RMB1,743,000, RMB1,811,000 and RMB1,195,000, respectively.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending 31 December 2021 is estimated to be approximately RMB1,166,000.

Save as disclosed in this prospectus, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group; (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals during the Track Record Period 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; and (iii) none of our Directors waived any emoluments during the same period.

Additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals is set forth in note 11 to the accountants' report in Appendix I to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholders	Nature of Interest	As at the Latest Practicable Date		Shares held immediately after completion of the Global Offering (without taking into account Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme)	
		Number of Shares ⁽¹⁾ held/interested in	Percentage of shareholding in our Company	Number of Shares ⁽¹⁾ held/interested in	Percentage of shareholding in our Company
Xiejia	Beneficial owner	175,000,000 (L) ⁽¹⁾	33.95%	201,662,968 (L) ⁽¹⁾	25.46%
Mr. Zheng Guosi	Interest in a controlled corporation ⁽²⁾ / Interest held jointly with other persons ⁽³⁾	500,000,000 (L) ⁽¹⁾	97.00%	576,179,908 (L) ⁽¹⁾	72.75%
Ms. Wu Zihong	Interest of spouse ⁽⁴⁾	500,000,000 (L) ⁽¹⁾	97.00%	576,179,908 (L) ⁽¹⁾	72.75%
Haisen	Beneficial owner	175,000,000 (L) ⁽¹⁾	33.95%	201,662,968 (L) ⁽¹⁾	25.46%
Mr. Zheng Guodian	Interest in a controlled corporation ⁽⁵⁾ / Interest held jointly with other persons ⁽³⁾	500,000,000 (L) ⁽¹⁾	97.00%	576,179,908 (L) ⁽¹⁾	72.75%
Ms. Hong Mali	Interest of spouse ⁽⁶⁾	500,000,000 (L) ⁽¹⁾	97.00%	576,179,908 (L) ⁽¹⁾	72.75%
Jianeng	Beneficial owner	150,000,000 (L) ⁽¹⁾	29.10%	172,853,972 (L) ⁽¹⁾	21.82%
Mr. Zheng Zhenzhong	Interest in a controlled corporation ⁽⁷⁾ / Interest held jointly with other persons ⁽³⁾	500,000,000 (L) ⁽¹⁾	97.00%	576,179,908 (L) ⁽¹⁾	72.75%
Ms. Su Li	Interest of spouse ⁽⁸⁾	500,000,000 (L) ⁽¹⁾	97.00%	576,179,908 (L) ⁽¹⁾	72.75%

Notes:

- (1) The letter “L” denotes the entity/person’s long position in such Shares.
- (2) Xiejia is owned as to 100% by Mr. Zheng Guosi. As such, Mr. Zheng Guosi is deemed to be interested in the Shares held by Xiejia under the SFO.

SUBSTANTIAL SHAREHOLDERS

- (3) On 29 March 2019, Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian executed the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each of the members of our Group since the relevant periods, details of which are set out in the section headed “History, development and Reorganisation — Parties acting in concert” in this prospectus. As such, they are deemed to be interested in the Shares held by each others.
- (4) Ms. Wu Zihong is the spouse of Mr. Zheng Guosi. Under the SFO, Ms. Wu Zihong is deemed to be interested in all the Shares Mr. Zheng Guosi is interested in.
- (5) Haisen is owned as to 100% by Mr. Zheng Guodian. As such, Mr. Zheng Guodian is deemed to be interested in the Shares held by Haisen under the SFO.
- (6) Ms. Hong Mali is the spouse of Mr. Zheng Guodian. Under the SFO, Ms. Hong Mali is deemed to be interested in all the Shares Mr. Zheng Guodian is interested in.
- (7) Jianeng is owned as to 100% by Mr. Zheng Zhenzhong. As such, Mr. Zheng Zhenzhong is deemed to be interested in the Shares held by Jianeng under the SFO.
- (8) Ms. Su Li is the spouse of Mr. Zheng Zhenzhong. Under the SFO, Ms. Su Li is deemed to be interested in the all the Shares Mr. Zheng Zhenzhong is interested in.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have an interest or a short position in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of any other member of our Group.

Save as disclosed above, as at the Latest Practicable Date, we are not aware of any arrangement which may on a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of the Capitalisation Issue and the Global Offering:

1. Prior to the completion of the Capitalisation Issue and the Global Offering

	Nominal value <i>(US\$)</i>
<i>Authorised share capital</i>	
2,000,000,000 Shares of US\$0.0001 par value	200,000.0
<i>Issued and to be issued, fully paid or credited to be fully paid</i>	
515,464,000 Shares of US\$0.0001 par value	51,546.4

2. Immediately following the completion of the Capitalisation Issue and the Global Offering

	Nominal value <i>(US\$)</i>
<i>Authorised share capital</i>	
2,000,000,000 Shares	200,000.0
<i>Issued and to be issued, fully paid or credited to be fully paid</i>	
515,464,000 Shares in issue	51,546.4
78,536,000 Shares to be issued under the Capitalisation Issue	7,853.6
198,000,000 Shares to be issued pursuant to the Global Offering	19,800.0
792,000,000 Total	79,200.0

ASSUMPTIONS

The above table assumes that the Global Offering has become unconditional and the issue of Shares pursuant to the Global Offering and the Capitalisation Issue is made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company under the general mandates granted to our Directors to issue or repurchase Shares as described below.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 18 February 2021. Under the Share Option Scheme, the eligible participants of the scheme, including Directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. For further details of the rules of the Share Option Scheme, please refer to the paragraph headed “D. Other information — 1. Share Option Scheme” in Appendix VI to this prospectus.

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 and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed the aggregate of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
- (ii) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

SHARE CAPITAL

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate to allot and issue or deal with shares, please refer to the paragraph headed “A. Further information about our Company — 3. Resolutions in writing of the Shareholders” in Appendix VI to this prospectus.

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 such number of Shares as will represent not more than 10% of the aggregate nominal amount of our Company’s share capital in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Company — 6. Repurchase of the Shares by our Company” in Appendix VI to this prospectus.

This mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate to repurchase shares, please refer to the paragraphs headed “A. Further information about our Company — 3. Resolutions in writing of the Shareholders” and “A. Further information about our Company — 6. Repurchase of the Shares by our Company” in Appendix VI to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Act and the terms of the 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 or 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, subject to the provisions of the Companies Act, reduce its share capital or capital redemption reserve by its Shareholders passing special resolution. For details, please refer to the paragraph headed “2. Articles of Association — 2.1 Shares — Alteration of capital” in Appendix V to this prospectus.

Pursuant to the Companies Act and the terms of the Articles of Association, all or any of the special rights attached to our Share or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to the paragraph headed “2. Articles of Association — 2.1 Shares — Variation of rights of existing shares or classes of shares” in Appendix V to this prospectus.

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You should read this section in conjunction with our audited consolidated financial statements as at and for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020, which are set out in the accountants' report in Appendix I to this prospectus. You should read the whole of the accountants' report in Appendix I to this prospectus and not rely merely on the information in this section. The consolidated financial statements have been prepared in accordance with HKFRSs.

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. You should review the section headed "Risk factors" in this prospectus for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements.

OVERVIEW

We are a confectionary products manufacturer in the PRC. We manufacture and sell confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We generally source raw materials from our suppliers, manufacture and package products at our in-house production facilities, and either (i) sell our products under brands owned or licenced by our OEM customers in the PRC and to overseas countries or (ii) sell our products under our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王), to distributors and end-consumers in the PRC. For details of our business overview, please refer to the section headed "Business — Overview" in this prospectus.

We achieved growth in revenue and gross profit during the three years ended 31 December 2019 due to the increase in our sales of tablet candies and aerated candies. For the years ended 31 December 2017, 2018 and 2019, we generated revenue of approximately RMB355.8 million, RMB380.8 million and RMB414.1 million, respectively, and recorded gross profit of approximately RMB108.5 million, RMB114.7 million and RMB130.4 million, respectively. For the year ended 31 December 2017, our net profit amounted to approximately RMB46.4 million. We recorded a decrease in net profit by approximately RMB7.7 million for the year ended 31 December 2018, mainly attributable to the decrease in the non-recurring government grants in various form of subsidies to our Group by approximately RMB10.9 million and the increase in Listing expenses by approximately RMB4.0 million. We recorded a growth in net profit for the year ended 31 December 2019 due to the growth in our revenue and gross profit primarily attributable to the increase in our sales of tablet candies. Our revenue and gross profits for the eight months ended 31 August 2020 decreased by approximately RMB21.8 million and RMB9.0 million, respectively, when compared to that for the corresponding period in 2019. Such decrease was mainly attributable to the decrease in customers' orders as affected by the outbreak of the COVID-19 leading to the decrease in revenue generated from both our OEM and own-branded products by approximately 16.8% and 1.2%, respectively, while our net profit remained relatively stable primarily as a result of the decrease in administrative expenses, which was mainly attributable to the decrease in the Listing expenses recognised and the impact of COVID-19 so that less operational administrative expenses were incurred for the period. Our revenue generated from the sale of own-

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branded products, which were from our PRC distributors and end-consumers, gradually recovered when we resumed normal operation in early March 2020 as the condition of the COVID-19 has been improved in the PRC. Our revenue generated from OEM products, which consist of local and overseas OEM customers, recorded a decrease to a larger extent for the eight months ended 31 August 2020 as the confirmed cases of the COVID-19 in the overseas countries were relatively high. We generated revenue of approximately RMB237.9 million and recorded gross profit of RMB74.9 million for the eight months ended 31 August 2020.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully described in the section headed “History, development and Reorganisation” in this prospectus and the section headed “Statutory and general information” in Appendix VI to this prospectus, our Company became the holding company of all the subsidiaries now comprising our Group on 4 January 2019. The companies now comprising our Group have been under common control of Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian before and after the Reorganisation. Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian.

The consolidated financial statements, which are presented in Renminbi, have been prepared in accordance with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Listing Rules. The HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

Our Directors confirmed that no significant HKFRS adjustment was made on the PRC statutory accounts to reconcile to the underlying financial statements prepared in conformity with the HKFRSs.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Reliance on our third party distributors for the sale of our own-branded products to their respective customers

We primarily sell our own-branded products to our third party distributors on wholesale basis. Our third party distributors sell our products to their respective customers through their sales network. Our sales to our third party distributors accounted for approximately 45.9%, 42.0%, 48.3% and 56.2% of our total revenue for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020, respectively. During the Track Record Period, we generally entered into distribution agreements with our third party distributors. Failure to renew our distribution agreements with our third party distributors or to engage new third party distributors may result in a material and adverse effect on our business, financial condition, results of operation and prospect.

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Lack of long term contracts with our customers

Our sales are made based on actual purchase orders received and we generally do not enter into long term contract with purchase obligations with our customers. Our customers may cancel or defer purchase orders. Our customers' purchase orders may vary from period to period, and there is no assurance that any of our customers will continue to place purchase orders with us in the future at the same volume as they did during the Track Record Period, or at the same margin, as compared to prior periods, or at all. We may be unable to locate alternative customers to place new purchase orders. There is also no assurance that the volume or margin of our customers' purchase orders will be consistent with our expectations. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future.

Price fluctuation of direct materials

During the Track Record Period, our direct materials primarily comprised of sugar, food additives, packaging materials and others. Direct materials, accounted for approximately 82.7%, 83.0%, 82.0% and 78.5% of the cost of goods sold for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020, respectively. All of our direct materials are purchased from domestic suppliers to ensure adequate supply and cost efficiency.

We generally do not enter into any long term agreements with suppliers and the price of the direct materials is determined at the time of purchase. Factors such as sufficiency of raw materials, general commodity price and government regulation and policies may lead to the fluctuation of the selling price of direct materials. For example, according to the Frost & Sullivan Report, owing to the unstable supply of sugar in the PRC and increasing demand for sugar confectioneries, the selling price of sugar has increased from approximately RMB4,377 per tonne in 2014 to approximately RMB5,790 per tonne in 2019, representing a CAGR of approximately 5.8% over the period. If the unfavourable fluctuation of the selling price of direct materials continues, our cost of sales will increase and it may result in a material and adverse effect on our business and operation.

Possible alterations of the PRC taxation and preferential tax treatment

The profit attributable to our Shareholders is affected by the amount of income tax that we pay and the level of preferential tax treatments to which we are entitled. The rate of income tax chargeable on our Group depends on the availability of preferential tax treatments. Termination or revision of preferential tax treatments that our Group currently enjoys will have a negative impact on the results of operations and financial condition of our Group.

Our Company was incorporated under the laws of the Cayman Islands. Under the EIT Law which came into effect on 1 January 2008, and its implementation rules, enterprises organised under the laws of jurisdictions outside the PRC with their “*de facto* management bodies” located within the PRC may be considered “resident enterprises in the PRC” and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term “*de facto* management body” as “a body exercising substantive and comprehensive management and control over the manufacturing and business operations, personnel, finances and treasury etc. of an enterprise”. The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of *De Facto* Managements 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》) and the Administrative Measures for

FINANCIAL INFORMATION

Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial)* (《境外註冊中資控股居民企業所得稅管理辦法》(試行)) issued in April 2009 and July 2011 set out certain criteria for specifying what constitutes a “*de facto* management body” in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other publications by SAT in respect of enterprises established offshore by private individuals or foreign enterprises like us.

Therefore, it is unclear whether we will be deemed to be a “resident enterprise in the PRC” for the purpose of the EIT Law even though substantially all of our operations and management are currently based in the PRC. We are currently not treated as a resident enterprise in the PRC by the relevant tax authorities. Nonetheless, there is no assurance that we will not be treated as a resident enterprise in the PRC under the EIT Law and not be subject to the enterprise income tax rate of 25% on our global income in the future. If we are deemed to be a “resident enterprise in the PRC”, we would be subject to PRC income taxes on our worldwide income, which may adversely affect our profitability and distributable profits to our Shareholders.

Our sales are subject to seasonality

The sales of some of our confectionary products are subject to seasonality. Our sales generally experience a surge ahead of holiday seasons, such as Christmas and Chinese New Year. Historically, we experienced higher sale of our products in the fourth and the first quarters of our financial year.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

We identified certain accounting policies that are significant to the preparation of our financial statements in accordance with the HKFRSs. Some of our accounting policies requires us to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, nature of our business operations, relevant rules and regulations that we believe to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We review the estimates and underlying assumptions regularly as they may have a significant impact on our operational results as reported in our historical financial included elsewhere in this prospectus. Our significant accounting policies and critical accounting estimates are summarised below and the full text is set out in notes 3 and 4 of the accountants’ report contained in Appendix I to this prospectus.

Revenue recognition

Our Group is principally engages in manufacture and sell confectionary products, such as aerated candies, gum-based candies, hard candies, tablet candies and chocolate-made product. We generally recognised our revenue when or as the control of good or service is transferred to customers. Our revenue from sales of OEM products and own-branded products are recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the product. For the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020, we recognised revenue from sales of OEM products and own-branded products of an aggregate of approximately RMB355.8 million, RMB380.8 million, RMB414.1 million and RMB237.9 million, respectively. For

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details of our accounting policy for revenue recognition, please refer to note 3 headed “Significant accounting policies — Revenue recognition” to the accountants’ report set out in Appendix I to this prospectus.

Adoption of HKFRS 9

Our Group recognises a loss allowance for expected credit losses on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, amount due from a director and cash and cash equivalents). The amount of expected credit losses (“ECL”) is updated at each reporting date to reflect changes in credit risk since initial recognition upon 1 January 2018.

Lifetime expected credit losses represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit losses represents the portion of lifetime expected credit losses that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on our Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Our Group always recognises lifetime expected credit losses for trade receivables. The expected credit losses on these assets are assessed individually for debtors based on internal credit rating, our Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

There is no significant impact on the accounting policies and historical financial information of our Group upon the adoption of HKFRS 9, replacing HKAS 39 “Financial Instruments: Recognition and Measurement”, which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Adoption of HKFRS 15

There is no significant impact on the accounting policies and historical financial information of our Group upon the adoption of HKFRS 15, which replaces both the provisions of HKAS 18 “Revenue” and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

Adoption of HKFRS 16

The initial adoption of HKFRS 16 will not significantly affect the financial position and performance of our Group compared to HKAS 17. For details of the impacts on transition, please refer to note 3 to the accountants’ report set out in Appendix I to this prospectus.

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Accounting judgements and estimates

(a) Estimated useful lives of property, plant and equipment

Our Group's management determines the estimated useful lives, and related depreciation charges for our property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. For details, please refer to note 4 headed "Critical accounting judgments and key sources of estimation uncertainty — (a) Estimated useful lives of property, plant and equipment" to the accountants' report set out in Appendix I to this prospectus.

(b) Net realisable value of inventories

Our Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. For details, please refer to note 4 headed "Critical accounting judgments and key sources of estimation uncertainty — (b) Net realisable value of inventories" to the accountants' report set out in Appendix I to this prospectus.

Income tax and deferred tax

Taxation comprises income tax and deferred tax. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Our Group recognises 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 income tax and deferred tax provisions in the year in which such determination is made.

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SUMMARY OF RESULTS OF OPERATIONS

Set forth below is a summary of our consolidated statements of profit or loss and other comprehensive income during the Track Record Period, extracted from the accountants' report included as Appendix I to this prospectus. The financial information contained herein and in the accountants' report in the Appendix I to this prospectus is prepared in accordance with HKFRS and is presented as if our current Group structure had been in existence throughout the years/periods presented.

	For the year ended 31 December			For the eight months ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	355,793	380,815	414,082	259,689	237,854
Cost of sales	<u>(247,292)</u>	<u>(266,089)</u>	<u>(283,678)</u>	<u>(175,749)</u>	<u>(162,943)</u>
Gross profit	108,501	114,726	130,404	83,940	74,911
Other income, gain or (loss), net	13,607	4,085	211	667	705
Selling expenses	(31,572)	(31,388)	(32,477)	(21,181)	(19,939)
Administrative expenses	(16,509)	(20,454)	(24,467)	(18,071)	(11,546)
Finance costs	<u>(11,808)</u>	<u>(13,547)</u>	<u>(14,470)</u>	<u>(9,728)</u>	<u>(9,266)</u>
Profit before taxation	62,219	53,422	59,201	35,627	34,865
Taxation	<u>(15,804)</u>	<u>(14,736)</u>	<u>(16,005)</u>	<u>(10,079)</u>	<u>(9,047)</u>
Profit for the year/period	<u>46,415</u>	<u>38,686</u>	<u>43,196</u>	<u>25,548</u>	<u>25,818</u>
Profit for the year/period attributable to owners of the Company	<u>46,415</u>	<u>38,686</u>	<u>43,196</u>	<u>25,548</u>	<u>25,818</u>

Non-HKFRS measure

We recognised non-recurring items during the Track Record Period and therefore we also present the adjusted profit for the year, which is a non-HKFRS measure, to supplement our consolidated financial information which are presented in accordance with HKFRS. Adjusted profit for the year is derived by excluding the Listing expenses. The term of adjusted profit is not defined under the HKFRS. The adjusted profit is solely for reference and does not include abovementioned item that impact our profit or loss for relevant years/period. We present such additional financial measure because it was used by our management to evaluate our financial performance by excluding the impact of Listing expenses, which is with non-recurring nature and was considered not indicative for evaluation of the actual performance of our business. Our Directors believe that such non-HKFRS measure provides additional

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information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

	For the year ended 31 December			For the eight months ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period	46,415	38,686	43,196	25,548	25,818
Adjustment for:					
Add: Listing expenses	—	3,960	7,445	6,815	1,124
Adjusted profit for the year/period	<u>46,415</u>	<u>42,646</u>	<u>50,641</u>	<u>32,363</u>	<u>26,942</u>

DESCRIPTION OF SELECTED ITEMS IN STATEMENT OF PROFIT OR LOSS

Revenue

During the Track Record Period, our revenue mainly represents (i) the sales of OEM products; and (ii) the sales of our own-branded products, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王). For the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020, we recorded total revenue of approximately RMB355.8 million, RMB380.8 million, RMB414.1 million and RMB237.9 million, respectively.

(a) Revenue by product category

The following table sets forth a breakdown of revenue of our Group by product category for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Gum-based candies	142,434	40.0	151,855	39.9	147,576	35.6	92,134	35.5	75,903	31.9
Tablet candies	130,966	36.8	140,456	36.9	169,764	41.0	106,977	41.2	100,466	42.2
Aerated candies	52,589	14.8	57,147	15.0	68,024	16.4	37,782	14.5	42,211	17.8
Hard candies	23,848	6.7	25,463	6.7	23,047	5.6	20,007	7.7	17,363	7.3
Others ^(Note)	<u>5,956</u>	<u>1.7</u>	<u>5,894</u>	<u>1.5</u>	<u>5,671</u>	<u>1.4</u>	<u>2,789</u>	<u>1.1</u>	<u>1,911</u>	<u>0.8</u>
Total	<u>355,793</u>	<u>100.0</u>	<u>380,815</u>	<u>100.0</u>	<u>414,082</u>	<u>100.0</u>	<u>259,689</u>	<u>100.0</u>	<u>237,854</u>	<u>100.0</u>

Note: Included products which are developed or sold by us on a trial basis, such as (i) other sugar confectionary products, including candy flavoured straws and chocolate-made products, and (ii) non-confectionary products, including yoghurt flavoured drinks and instant noodles.

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Our total revenue was approximately RMB355.8 million, RMB380.8 million, RMB414.1 million, RMB259.7 million and RMB237.9 million for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2019 and 2020, respectively. Sales of gum-based candies contributed the largest share of our revenue for the years ended 31 December 2017 and 2018, which accounted for approximately 40.0% and 39.9%, respectively. For the year ended 31 December 2019, sales of gum-based candies decreased to approximately RMB147.6 million, which is attributable to decrease in sales order from Customer A. For the eight months ended 31 August 2020, sales of gum-based candies decreased by approximately RMB16.2 million or 17.6% to RMB75.9 million compared with RMB92.1 million for the eight months ended 31 August 2019. The decrease was mainly attributable to decrease in sales order of OEM customers as affected by the outbreak of the COVID-19, especially for customers in Europe. Sales of tablet candies contributed the largest share of revenue for the year ended 31 December 2019 and the eight months ended 31 August 2020, which accounted for approximately 41.0% and 42.2% respectively and the sales of aerated candies, hard candies and others, in aggregate, made up the remaining approximately 23.2%, 23.2%, 23.4%, 23.3% and 25.9% of our total revenue for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2019 and 2020, respectively. Our total revenue for the year ended 31 December 2018 increased by approximately RMB25.0 million or 7.0% from approximately RMB355.8 million for the year ended 31 December 2017 to approximately RMB380.8 million which was mainly attributable to the increase of both sales of gum-based candies and tablet candies by approximately RMB9.4 million or 6.6% and RMB9.5 million or 7.2% as a result of the increased orders from one of our top five customers in our Track Record Period for gum-based candies and Gary & Bros Confectionary for tablet candies. Our total revenue for the year ended 31 December 2019 increased by approximately RMB33.3 million or 8.7% from approximately RMB380.8 million for the year ended 31 December 2018 to approximately RMB414.4 million which was mainly attributable to the increase of sales of tablet candies by approximately RMB29.3 million or 20.9% as a result of increased orders from our distributors of our own-branded products. For the eight months ended 31 August 2020, the total revenue decreased by approximately RMB21.8 million or 8.4% from approximately RMB259.7 million for the eight months ended 31 August 2019 to approximately RMB237.9 million for the eight months ended 31 August 2020 which was mainly due to the decrease in sales orders from customers primarily from January to May 2020 as affected by the outbreak of the COVID-19. All product categories recorded a decrease for the eight months ended 31 August 2020 as compared to that for the eight months ended 31 August 2019 except for the revenue generated from aerated candies which recorded an increase of revenue from approximately RMB37.8 million for the eight months ended 31 August 2019 to approximately RMB42.2 million for the eight months ended 31 August 2020. The increase of revenue generated from aerated candies was mainly attributable to the sales of our new product from the new production line which commenced commercial production in September 2019.

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(b) Revenue by sales of OEM products and our own-branded products

The following table sets out a breakdown of revenue and gross profit margin of our Group by sales of OEM products and our own-branded products for the years/periods indicated:

	For the year ended 31 December									For the eight months ended 31 August					
	2017			2018			2019			2019			2020		
	RMB'000	%	Gross profit margin %	RMB'000	%	Gross profit margin %	RMB'000	%	Gross profit margin %	RMB'000	%	Gross profit margin %	RMB'000	%	Gross profit margin %
OEM products	191,243	53.8	24.0	215,557	56.6	25.3	202,689	48.9	25.5	119,625	46.1	25.7	99,520	41.8	24.8
Own-branded products	164,550	46.2	38.0	165,258	43.4	36.4	211,393	51.1	37.2	140,064	53.9	38.0	138,334	58.2	36.3
— Coolsa	135,390	38.0	40.6	130,603	34.3	39.7	170,274	41.2	40.2	111,806	43.0	41.3	110,937	46.6	39.2
— Lalabo	25,974	7.3	27.2	28,055	7.4	27.1	34,084	8.2	27.3	22,811	8.8	27.7	22,778	9.6	27.3
— Jiujiuwang	3,186	0.9	17.5	6,600	1.7	11.0	7,035	1.7	12.5	5,447	2.1	12.6	4,619	2.0	12.0
Total	355,793	100.0	30.5	380,815	100.0	30.1	414,082	100.0	31.5	259,689	100.0	32.3	237,854	100.0	31.5

Our OEM products were sold directly to our OEM customers that are generally brand owners or licensees of domestic or international brands which engaged in the sale of confectionary products, including trading and sourcing companies. For the years ended 31 December 2017, 2018 and 2019, and the eight months ended 31 August 2019 and 2020 the revenue derived from our OEM products amounted to approximately RMB191.2 million, RMB215.6 million and RMB202.7 million, RMB119.6 million and RMB99.5 million representing approximately 53.8%, 56.6%, 48.9%, 46.1% and 41.8% of our total revenue, respectively. During the Track Record Period, our revenue generated from the sales of OEM products increased from approximately RMB191.2 million for the year ended 31 December 2017 to approximately RMB215.6 million for the year ended 31 December 2018, representing an increase of approximately RMB24.4 million or 12.8%. Such increase was mainly due to the increase in our sales of the confectionary products to Gary & Bros Confectionary with the increasing orders for tablet candies. Our revenue generated from the sales of OEM products decreased from approximately RMB215.6 million for the year ended 31 December 2018 to approximately RMB202.7 million for the year ended 31 December 2019, representing a decrease of approximately RMB12.9 million or 6.0%. Such decrease was mainly due to the decrease in sales of the confectionary products to Customer A. Our revenue generated from the sales of OEM products decreased from approximately RMB119.6 million for the eight months ended 31 August 2019 to approximately RMB99.5 million for the eight months ended 31 August 2020 due to the outbreak of the COVID-19 and the sales orders from OEM customers decreased, especially for customers in Europe, which decreased for approximately 42.0% as compared with the corresponding period in 2019.

Our revenue generated from the sales to Gary & Bros Confectionary mainly represented the sales of OEM products, which primarily consisted of tablet candies and aerated candies, and amounted to approximately RMB78.8 million, RMB95.8 million, RMB98.7 million, RMB60.2 million and RMB47.5 million for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2019 and 2020, respectively, representing approximately 41.2%, 44.4%, 48.7%, 50.3% and 47.7% of our revenue generated from the OEM products or approximately 22.2%, 25.1%, 23.8%, 23.2% and 20.0% of our total revenue, respectively. Gary & Bros Confectionary is our largest customer during the Track

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Record Period and until December 2018, Gary & Bros Confectionary was owned as to 15% by Mr. Zheng Guosi, our executive Director. For further information, please refer to the section headed “Relationship with Controlling Shareholders — Past related party transactions” in this prospectus.

The revenue generated from the sales of our products under Coolsa brand decreased from approximately RMB135.4 million for the year ended 31 December 2017 to approximately RMB130.6 million for the year ended 31 December 2018. Such decrease was primarily attributable to the decrease in the sales volume of the products under Coolsa brand while the revenue generated from the sales of our products under our Lalabo brand and Jiujiuwang brand increased from approximately RMB26.0 million and approximately RMB3.2 million for the year ended 31 December 2017 to approximately RMB28.1 million and RMB6.6 million for the year ended 31 December 2018. Such increase was attributable to the increase in demand from our distributors of these two own-branded products.

The revenue generated from the sales of our products under Coolsa brand and Lalabo brand increased from approximately RMB130.6 million and RMB28.1 million for the year ended 31 December 2018 to approximately RMB170.3 million and RMB34.1 million for the year ended 31 December 2019. Such increase was primarily attributable to (i) the increase in demand from our distributors of products under Coolsa brand as indicated by the increase in its respective sales volume; (ii) the increase in average selling price of products under Lalabo brand while the sales volume remained generally stable; (iii) increase in the number of distributors; (iv) increase in sales through e-commerce channel; and (v) increase in the number of sub-distributors for our top five distributors to 620 as at 31 December 2019 from 410 as at 31 December 2018. Our Directors consider that such increase in the number of sub-distributors for our top five distributors was mainly attributable to (i) the additional marketing and promotion efforts of our top five distributors which conducted physical visits to introduce our products to their existing or new sub-distributors in view of the generally satisfactory sales performances of our products and (ii) the scale of the new sub-distributors engaged by our top five distributors, which was relatively large, and they included supermarket chains and/or local supermarkets and hence the demand for our products from these new sub-distributors was generally larger than the demand of traditional grocery stores and/or tuck shops. The revenue generated from the sales of our products under our Jiujiuwang brand remained relatively stable at approximately RMB7.0 million for the year ended 31 December 2018 and 2019.

The revenue generated from the sales of our own-branded products decreased from approximately RMB140.1 million for the eight months ended 31 August 2019 to approximately RMB138.3 million for the eight months ended 31 August 2020. The revenue generated from products under Coolsa brand, Lalabo brand and Jiujiuwang brand all recorded a decrease for the eight months ended 31 August 2020 due to the decrease in sales order from customers primarily from January to May 2020 under the outbreak of the COVID-19. The revenue generated from our own-branded products has recovered and the revenue generated from our own-branded products from May to August 2020 was higher than that of the corresponding period in 2019.

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(c) Sales volume and average selling price

The following table sets out the sales volume in tonne and average selling price per kg of our products for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	Average selling price per kg (RMB)	Sales volume (tonne)	Average selling price per kg (RMB)	Sales volume (tonne)	Average selling price per kg (RMB)	Sales volume (tonne)	Average selling price per kg (RMB)	Sales volume (tonne)	Average selling price per kg (RMB)	
OEM products	5,264	36.3	5,693	37.9	5,346	37.9	3,116	38.4	2,935	33.9
Own-branded products										
— Coolsa	4,667	29.0	4,567	28.6	5,802	29.3	3,735	29.9	3,623	30.6
— Lalabo	1,144	22.7	1,233	22.8	1,237	27.5	880	25.9	756	30.1
— Jiujiuwang	144	22.2	207	31.8	231	30.5	167	32.6	112	41.2
Subtotal	5,955	27.6	6,007	27.5	7,270	29.1	4,782	29.3	4,491	30.8
Total	11,219	31.7	11,700	32.6	12,616	32.8	7,898	32.9	7,426	31.8

The average selling price of our OEM products remained relatively stable for the years ended 31 December 2017, 2018 and 2019. For the eight months ended 31 August 2020, the drop of average selling price of our OEM products was mainly due to the decrease in the sales of our tablet candies, which were of higher average selling price, to our major customers as affected by the outbreak of the COVID-19. The average selling price of our own-branded products remained relatively stable during the Track Record Period. For the eight months ended 31 August 2020, the average selling price of products under our own-branded products increased because the sales of gum-based candies, which were of lower average selling price, dropped.

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(d) Revenue by geographical locations of our sales

The following table sets forth a breakdown of revenue of our Group by geographical locations of our customers for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
PRC ⁽¹⁾	300,454	84.4	318,782	83.7	365,339	88.2	229,377	88.3	218,121	91.7
Overseas										
Europe ⁽²⁾	30,985	8.8	42,160	11.1	28,626	6.9	19,564	7.6	11,342	4.8
Asia (excluding the PRC) ⁽³⁾	14,941	4.2	10,851	2.8	15,623	3.8	8,153	3.1	6,960	2.9
Africa ⁽⁴⁾	1,102	0.3	—	—	—	—	—	—	—	—
Others ⁽⁵⁾	8,311	2.3	9,022	2.4	4,494	1.1	2,595	1.0	1,431	0.6
	<u>355,793</u>	<u>100.0</u>	<u>380,815</u>	<u>100.0</u>	<u>414,082</u>	<u>100.0</u>	<u>259,689</u>	<u>100.0</u>	<u>237,854</u>	<u>100.0</u>

Notes:

- (1) Included our sales to Gary & Bros Confectionary and PRC exporters exporting to Ecuador, Ghana, Ireland, Nigeria, Panama, Costa Rica and the United Kingdom.
- (2) Included our sales to Germany, Poland, the United Kingdom, Ukraine, Lithuania, Czech Republic, Denmark, Ireland, Netherlands, Spain, Italy, Russia, France and Belgium.
- (3) Included our sales to Philippines, United Arab Emirates, Palestine, Jordan, Korea, Kuwait, Indonesia, Israel, Turkey, Mongolia and Vietnam.
- (4) Included our sales to Cote d'Ivoire, Nigeria, Guinea and Togo.
- (5) Included our sales to Australia, Argentina, Brazil, Canada, Ecuador, Haiti, Honduras, the United States, Mexico and Paraguay.

Our revenue generated from the PRC increased from approximately RMB300.5 million for the year ended 31 December 2017 to approximately RMB318.8 million for the year ended 31 December 2018, and it further increased to approximately RMB365.3 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in our revenue generated from Gary & Bros Confectionary as discussed above. The revenue generated from the PRC decreased from approximately RMB229.4 million for the eight months ended 31 August 2019 to approximately RMB218.1 million for the eight months ended 31 August 2020. The decrease was mainly attributable to the outbreak of the COVID-19 which led to the decrease in sales orders from our distributors and OEM customers in the PRC including Gary & Bros Confectionary.

During the Track Record Period, our revenue generated from the Europe increased from approximately RMB31.0 million for the year ended 31 December 2017 to approximately RMB42.2 million for the year ended 31 December 2018 mainly as a result of the increase in the demand from our existing customers in Poland and Germany, including Customer A, for gum-based candies. For the year

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ended 31 December 2018 and 2019, our revenue generated from Europe decreased from approximately RMB42.2 million to approximately RMB28.6 million. The decrease is mainly attributable to the decrease in sales to Customer A. The revenue generated from the Europe decreased from approximately RMB19.6 million for the eight months ended 31 August 2019 to approximately RMB11.3 million for the eight months ended 31 August 2020. The decrease was mainly attributable to the outbreak of COVID-19 which led to the decrease in sales order from our OEM customers in Europe including Customer A and other customers in Poland and United Kingdom.

During the Track Record Period, our revenue generated from Asia (excluding the PRC) decreased from approximately RMB14.9 million for the year ended 31 December 2017 to approximately RMB10.9 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in revenue generated from our customers in the Philippines for OEM products. For the year ended 31 December 2018 and 2019, our revenue generated from Asia (excluding the PRC) increased from approximately RMB10.9 million to approximately RMB15.6 million. Such increase was mainly due to the increase in revenue generated from our customer in Vietnam for OEM products. The revenue generated from Asia (excluding the PRC) decreased from approximately RMB8.2 million for the eight months ended 31 August 2019 to approximately RMB7.0 million for the eight months ended 31 August 2020. The decrease was mainly attributable to the outbreak of the COVID-19 leading to the decrease in sales orders from our OEM customers in the Philippines.

Cost of sales

Our cost of sales comprised of (i) direct materials costs, (ii) production costs; (iii) direct labour costs; and (iv) others. The following table sets out a breakdown of our cost of sales for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Direct materials										
costs	204,583	82.7	220,863	83.0	232,506	82.0	140,752	80.1	127,857	78.5
Production costs	20,835	8.4	23,316	8.8	28,711	10.1	19,624	11.2	19,582	12.0
Direct labour										
costs	18,492	7.5	18,936	7.1	20,253	7.1	13,743	7.8	13,940	8.5
Others ^(Note)	3,382	1.4	2,974	1.1	2,208	0.8	1,630	0.9	1,564	1.0
	<u>247,292</u>	<u>100.0</u>	<u>266,089</u>	<u>100.0</u>	<u>283,678</u>	<u>100.0</u>	<u>175,749</u>	<u>100.0</u>	<u>162,943</u>	<u>100.0</u>

Note: Others mainly includes business tax and surcharges.

Direct materials costs was the largest component of our cost of sales and accounted for approximately 82.7%, 83.0%, 82.0%, 80.1% and 78.5% of the total cost of sales for the years ended 31 December 2017, 2018 and 2019, and the eight months ended 31 August 2019 and 2020 respectively. Direct materials costs included but not limited to sugar, additives, packaging materials and others. The increase in direct materials costs by approximately RMB16.3 million or 8.0% from approximately

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RMB204.6 million for the year ended 31 December 2017 to approximately RMB220.9 million for the year ended 31 December 2018 which is generally in line with the increase in revenue by approximately 7.0% for same year. For the year ended 31 December 2019, direct materials costs increased by approximately RMB11.6 million or 5.3% from approximately RMB220.9 million to RMB232.5 million. Our direct material costs increased in a lesser extent than our revenue for the year ended 31 December 2019 because of the decrease in costs of sugar used, which was generally consistent with the decrease in selling price of sugar in the PRC during the year ended 31 December 2019 as compared to the year ended 31 December 2018, with reference to the Frost & Sullivan Report. Our direct material costs decreased by approximately RMB12.9 million or 9.2% from approximately RMB140.8 million for the eight months ended 31 August 2019 to approximately RMB127.9 million for the eight months ended 31 August 2020 which was in line with the decrease in revenue by approximately 8.4% for the same period.

Production costs mainly comprised of depreciation, utilities and production consumables. Production costs increased from approximately RMB20.8 million for the year ended 31 December 2017 to approximately RMB23.3 million for the year ended 31 December 2018 and they further increased to approximately RMB28.7 million for the year ended 31 December 2019. Such increase was generally consistent with the increasing trend of our revenue in the respective years/periods. For the eight months ended 31 August 2020, our production costs remained stable at approximately RMB19.6 million compared with that of the eight months ended 31 August 2019.

Direct labour costs remained relatively stable for approximately RMB18.5 million and RMB18.9 million for the years ended 31 December 2017 and 2018, respectively, as we did not make salary adjustment until October 2018. Due to the salary adjustment, our direct labour costs then increased to approximately RMB20.3 million for the year ended 31 December 2019. For the eight months ended 31 August 2020, our direct labour costs remained relatively stable at approximately RMB13.9 million compared with that of the eight months ended 31 August 2019.

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Based on our best estimates, for illustrative purpose only, the table below shows the sensitivity of our profit before tax during the Track Record Period with regard to certain possible changes in the cost of direct materials during the same year/period, assuming all other variables remain constant:

The following table illustrates the sensitivity on our profit resulting respectively from hypothetical fluctuations in direct materials costs for the years/periods indicated:

Hypothetical fluctuations⁽¹⁾	-/+5%	-/+10%	-/+15%
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in direct materials costs⁽²⁾			
Year ended 31 December 2017	-/+10,229	-/+20,458	-/+30,687
Year ended 31 December 2018	-/+11,043	-/+22,086	-/+33,129
Year ended 31 December 2019	-/+11,625	-/+23,251	-/+34,876
Eight months ended 31 August 2020	-/+6,393	-/+12,786	-/+19,179
Increase/decrease in profit before tax			
Year ended 31 December 2017	+/-10,229	+/-20,458	+/-30,687
Year ended 31 December 2018	+/-11,043	+/-22,086	+/-33,129
Year ended 31 December 2019	+/-11,625	+/-23,251	+/-34,876
Eight months ended 31 August 2020	+/-6,393	+/-12,786	+/-19,179

Notes:

- (1) Hypothetical fluctuations in direct materials costs are assumed to be 5%, 10% and 15% for illustrative purpose.
- (2) Save for hypothetical fluctuations in direct materials costs all other factors are assumed to be unchanged.

Breakeven analysis

For the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020, it is estimated that, holding all other variables constant, with an increase in direct materials costs by approximately 22.7%, 17.5%, 18.6% and 20.2% respectively, our Group recorded breakeven in the consolidated statement of profit or loss for the respective years.

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Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by product category during the Track Record Period:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Gum-based										
candies	32,509	22.8	36,907	24.3	36,150	24.5	22,815	24.8	18,345	24.2
Tablet candies	43,362	33.1	45,201	32.2	57,651	34.0	38,191	35.7	34,625	34.5
Aerated candies	22,406	42.6	22,130	38.7	26,927	39.6	15,023	39.8	15,408	36.5
Hard candies	8,059	33.8	8,538	33.5	7,840	34.0	7,005	35.0	5,959	34.3
Others ^(Note)	2,165	36.3	1,950	33.0	1,836	32.4	906	32.5	574	30.0
Total	108,501	30.5	114,726	30.1	130,404	31.5	83,940	32.3	74,911	31.5

Note: Included products which are developed or sold by us on a trial basis, such as (i) other sugar confectionary products, including candy flavoured straws and chocolate-made products, and (ii) non-confectionary products, including yoghurt flavoured drinks and instant noodles.

The following table sets forth a breakdown of revenue and gross profit margin for OEM and own-branded products by product category during the Track Record Period:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
OEM products										
Gum-based										
candies	111,045	23.0	118,608	25.2	99,933	25.5	58,903	25.9	49,551	25.0
Tablet candies	77,169	25.3	83,631	25.5	95,071	25.5	54,390	25.5	47,705	24.6
Aerated candies	2,750	28.9	12,654	25.6	5,959	27.5	5,456	26.4	1,879	25.6
Hard candies	279	21.9	664	21.7	1,726	22.0	876	22.8	385	19.8
Sub-total	191,243	24.0	215,557	25.3	202,689	25.5	119,625	25.7	99,520	24.8

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	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Own-branded products										
Gum-based										
candies	31,390	22.2	33,247	21.1	47,644	22.5	33,231	22.8	26,352	22.6
Tablet candies	53,797	44.3	56,825	42.0	74,693	44.7	52,588	46.3	52,761	43.3
Aerated candies	49,839	43.4	44,493	42.5	62,065	40.7	32,327	42.0	40,331	37.0
Hard candies	23,568	33.9	24,799	33.8	21,320	35.0	19,131	35.6	16,979	34.6
Others ^(Note)	5,956	36.3	5,894	32.1	5,671	32.4	2,787	32.5	1,911	30.0
Sub-total	164,550	38.0	165,258	36.4	211,393	37.2	140,064	38.0	138,334	36.3
Total	<u>355,793</u>	<u>30.5</u>	<u>380,815</u>	<u>30.1</u>	<u>414,082</u>	<u>31.5</u>	<u>259,689</u>	<u>32.3</u>	<u>237,854</u>	<u>31.5</u>

Note: Included products which are developed or sold by us on a trial basis, such as (i) other sugar confectionary products, including candy flavoured straws and chocolate-made products, and (ii) non-confectionary products, including yoghurt flavoured drinks and instant noodles.

Our gross profit and gross profit margin for gum-based candies increased from approximately RMB32.5 million and 22.8% for the year ended 31 December 2017 to approximately RMB36.9 million and 24.3% for the year ended 31 December 2018. The increase was in line with the increase in gross profit of OEM gum-based products which contributed approximately RMB25.5 million and RMB29.9 million of gross profit for the years ended 31 December 2017 and 2018, respectively. For the year ended 31 December 2019, the gross profit and gross profit margin for gum-based candies were approximately RMB36.2 million and 24.5%. The decrease in gross profit from gum-based candies was generally resulted from the decrease in the gross profit of gum-based OEM products which contributed gross profits of approximately RMB29.9 million and RMB25.5 million for the year ended 31 December 2018 and 2019, respectively. The gross profit margin for gum-based candies remained relatively stable for the year ended 31 December 2019. For the eight months ended 31 August 2020, the gross profit for gum-based candies decreased from approximately RMB22.8 million for the eight months ended 31 August 2019 to approximately RMB18.3 million and the gross profit margin also recorded a decrease from approximately 24.8% to approximately 24.2% for the respective period. The decrease in the gross profit margin of gum-based candies was mainly due to the decrease in the overall sales volume because of the outbreak of the COVID-19 while the certain fixed components of cost of sales such as depreciation expenses of machinery and production staff costs were still incurred.

Our gross profit for tablet candies increased from approximately RMB43.4 million for the year ended 31 December 2017 to RMB45.2 million for the year ended 31 December 2018. Our gross profit for tablet candies further increased to approximately RMB57.7 million for the year ended 31 December 2019. The gross profit margin decreased from approximately 33.1% for the year ended 31 December

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2017 to approximately 32.2% for the year ended 31 December 2018. Our gross profit margin increased to approximately 34.0% for the year ended 31 December 2019. Our OEM products and products under our Coolsa brand contributed most of the gross profit of tablet candies, with contribution from OEM products amounting to approximately RMB19.5 million, RMB21.3 million and RMB24.3 million and contribution from our Coolsa brand amounting to approximately RMB23.8 million, RMB23.7 million and RMB33.1 million, for the years ended 31 December 2017, 2018 and 2019, respectively. The proportion of gross profit and revenue of tablet candies contributed by our OEM product represented approximately 5.5% and 21.7% for the year ended 31 December 2017, approximately 7.4% and 22.0% for the year ended 31 December 2018 and approximately 8.3% and 21.9% for the year ended 31 December 2019. The gross profit of our tablet candies under Coolsa brand was higher than that of OEM tablet candies for the years ended 31 December 2017 and 2018. The revenue derived from tablet candies had an increasing trend from year ended 31 December 2017 to the year ended 31 December 2018 mainly due to the increase in sales of OEM tablet candies to Gary & Bros Confectionary. Such increase was significant and, in the year ended 31 December 2018, the increase in sales of OEM tablet candies to Gary & Bros Confectionary outweighed the increase in sales of our tablet candies under Coolsa brand, the proportion of revenue derived from the sales of our tablet candies under Coolsa brand decreased in year ended 31 December 2018. The decrease in the gross profit margin for tablet candies for the year ended 31 December 2017 and 2018 was mainly due to the increase in the proportion of the sales volume and revenue contributed by our OEM products including those to Gary & Bros Confectionary, the gross profit margin of which was lower than our products under Coolsa brand. For the year ended 31 December 2019, our gross profit and gross profit margin for tablet candies increased to approximately RMB57.7 million and 34.0%, respectively, and the proportion of revenue derived from our tablet candies under Coolsa brand increased, compared to the revenue derived from OEM tablet. The increase of gross profit was mainly due to increase in sales of tablet candies Coolsa brand which had a higher gross profit margin. The increase in gross profit margin of our tablet candies under Coolsa brand from approximately 43.6% for the year ended 31 December 2018 to approximately 45.2% the year ended 31 December 2019 was mainly attributable to the increase in sales of our tablet candies under Coolsa brand to end-consumers through e-commerce channel, which had a higher gross profit margin than the sales to distributors. Therefore, the overall gross profit margin for tablet candies for the year ended 31 December 2019 increased. For the eight months ended 31 August 2020, the gross profit of tablet candies decreased from approximately RMB38.2 million for the eight months ended 31 August 2019 to approximately RMB34.6 million and the gross profit margin of tablet candies also recorded a decrease from approximately 35.7% to approximately 34.5% for the respective period. The reason for the decrease of gross profit margin of tablet candies was similar to the discussion above for the decrease in gross profit margin of gum-based candies.

Our gross profit for aerated candies remained stable for the years ended 31 December 2017, 2018 and 2019, respectively. The gross profit margin for aerated candies for the years ended 31 December 2017, 2018 and 2019 was approximately 42.6%, 38.7% and 39.6% which was the highest among all product categories for the respective years as our products under Coolsa brand with the highest gross profit margin among our own-branded products and OEM products contributed most of the gross profit for aerated candies. As a result, the fluctuation of the gross profit margin for aerated candies during the Track Record Period was mainly due to the change in the sales volume of our products under Coolsa brand. The increase in the gross profit margin for the year ended 31 December 2018 was in line with the increase in the sales volume of our products under Coolsa brand for the respective year. For the year ended 31 December 2019, our gross profit and gross profit margin increased to approximately RMB26.9 million and 39.6% which was in line with the increase in the sales volume of our products under Coolsa

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brand for the respective year. For the eight months ended 31 August 2020, the gross profit for aerated candies increased from approximately RMB15.0 million for the eight months ended 31 August 2019 to approximately RMB15.4 million and the gross profit margin also recorded a decrease from approximately 39.8% to approximately 36.5% for the respective period. The decrease of gross profit margin was due to the reason discussed above for the decrease in gross profit margin of gum-based candies and the introduction of a new production line for manufacture of jelly candies which are under the product category of aerated candies in September 2019 which had a lower gross profit margin as all the costs of sales for the new production line, including depreciation expenses and maintenance fee, were allocated to these new products only.

The following table sets forth a breakdown of gross profit and gross profit margin by sales of OEM products and our own branded products for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
OEM products	<u>45,928</u>	<u>24.0</u>	<u>54,595</u>	<u>25.3</u>	<u>51,747</u>	<u>25.5</u>	<u>30,754</u>	<u>25.7</u>	<u>24,697</u>	<u>24.8</u>
Own-branded products	62,573	38.0	60,131	36.4	78,657	37.2	53,186	38.0	50,214	36.3
— Coolsa	54,962	40.6	51,790	39.7	68,476	40.2	46,173	41.3	43,453	39.2
— Lalabo	7,054	27.2	7,614	27.1	9,302	27.3	6,327	27.7	6,209	27.3
— Jiujiuwang	<u>557</u>	<u>17.5</u>	<u>727</u>	<u>11.0</u>	<u>879</u>	<u>12.5</u>	<u>686</u>	<u>12.6</u>	<u>552</u>	<u>12.0</u>
Total	<u>108,501</u>	<u>30.5</u>	<u>114,726</u>	<u>30.1</u>	<u>130,404</u>	<u>31.5</u>	<u>83,940</u>	<u>32.3</u>	<u>74,911</u>	<u>31.5</u>

Our gross profit and gross profit margin for OEM products increased from approximately RMB45.9 million and 24.0% for the year ended 31 December 2017 to approximately RMB54.6 million and 25.3% for the year ended 31 December 2018. Such increase in the gross profit and gross profit margin was mainly due to the increase in the sales volume and average selling price of our OEM products sold to Gary & Bros Confectionary, whose gross profit margin during the Track Record Period remained stable at 25.1%, 25.4%, 25.4% and 24.7% and relatively higher than the average gross margin of OEM products sold to other customers since the products sold to Gary & Bros Confectionary were mostly non-sugar based tablet candies which had a relatively higher gross profit margin during the Track Record Period whereas the products sold to other OEM customers were generally gum-based candies which had a relatively lower gross profit margin during the Track Record Period. For the year ended 31 December 2019, the gross profit for OEM products decreased to approximately RMB51.7 million which was mainly attributable to the decrease in sales of Customer A. The gross profit margin remained stable at 25.5% for the year ended 31 December 2019.

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Our gross profit and gross profit margin for OEM products decreased from approximately RMB30.8 million and 25.7% for the eight months ended 31 August 2019 to approximately RMB24.7 million and 24.8% for the eight months ended 31 August 2020, mainly due to the certain fixed components of cost of sales such as depreciation expenses of machinery and production staff cost incurred during the outbreak of COVID-19.

The following table sets forth a breakdown of revenue generated from the sales of OEM products by product category for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Gum-based candies	111,045	58.1	118,608	55.0	99,933	49.3	58,903	49.2	49,551	49.8
Tablet candies	77,169	40.4	83,631	38.8	95,071	46.9	54,390	45.5	47,705	47.9
Aerated candies	2,750	1.4	12,654	5.9	5,959	2.9	5,456	4.6	1,879	1.9
Hard candies	279	0.1	664	0.3	1,726	0.9	876	0.7	385	0.4
Total	191,243	100.0	215,557	100.0	202,689	100.0	119,625	100.0	99,520	100.0

The following table sets forth a breakdown of revenue, gross profit and gross profit margin generated from the sales of OEM products by customers and product category for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August								
	2017		2018		2019		2019		2020						
	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin			
	(unaudited)														
Gary & Bros															
Confectionary															
Gum-based candies	—	—	—	—	3,313	837	25.3	1,905	472	24.8	1,173	291	24.8		
Tablet candies	76,542	19,234	25.1	83,231	21,119	25.4	88,942	22,544	25.3	52,386	13,213	25.2	44,352	10,928	24.6
Aerated candies	2,293	528	23.0	12,533	3,167	25.3	5,675	1,467	25.8	5,377	1,394	25.9	1,879	482	25.6
Hard candies	—	—	—	—	—	—	803	194	24.1	567	140	24.7	63	15	23.8
Sub-total	78,835	19,762	25.1	95,764	24,286	25.4	98,733	25,042	25.4	60,235	15,219	25.3	47,467	11,716	24.7
Other OEM customers															
Gum-based candies	111,045	25,538	23.0	118,608	29,901	25.2	96,620	24,617	25.5	56,998	14,780	25.9	48,378	12,108	25.0
Tablet candies	627	301	48.0	400	192	47.9	6,129	1,731	28.2	2,004	649	32.4	3,353	812	24.2
Aerated candies	457	266	58.0	120	72	60.2	284	170	60.0	79	46	58.0	—	—	—
Hard candies	279	61	21.9	665	144	21.7	923	187	20.2	309	60	19.5	322	61	18.9
Sub-total	112,408	26,166	23.3	119,793	30,309	25.3	103,956	26,705	25.7	59,390	15,535	26.2	52,053	12,981	24.9
Total	191,243	45,928	24.0	215,557	54,595	25.3	202,689	51,747	25.5	119,625	30,754	25.7	99,520	24,697	24.8

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As demonstrated in the table above, the sales proportion of tablet candies of our OEM products increased from approximately 40.4% for the year ended 31 December 2017 to approximately 46.9% for the year ended 31 December 2019, which, among others, mainly due to the increase in the sales for the year ended 31 December whereas, the sales proportion of gum-based candies of our OEM products decreased from approximately 58.1% for the year ended 31 December 2017 to approximately 49.3% for the year ended 31 December 2019. Tablet candies usually have a higher gross profit margin than white sugar products as our Group can charge higher price for our sugar-free tablet candies, which use sugar substitute such as Xylitol in view of the high demand for healthier sugar-free confectionary products in the PRC nowadays. As a result, the increase in overall gross profit margin of our OEM products was mainly due to the increase of the sales proportion of tablet candies to Gary & Bros Confectionary.

Our gross profit and gross profit margin for our own-branded products decreased from approximately RMB62.6 million for the year ended 31 December 2017 to approximately RMB60.1 million and 36.4% for the year ended 31 December 2018. Such decrease in the gross profit and gross profit margin was mainly due to the general increase in the direct materials cost as evidenced by the general increase in the selling price of the sugar as stated in the Frost & Sullivan Report. For the year ended 31 December 2019, our gross profit and gross profit margin for our own-branded products increased in line with the increase in our revenue to approximately RMB78.7 million and 37.2%, which were primarily attributable to the increase in gross profits of products under Coolsa brand. The increase in gross profits was mainly resulted from the increase in sales of our products under Coolsa brand through e-commerce channel which were of higher gross profit margin due to their simpler packages of the products and the increase in average selling price of our own-branded products.

For the eight months ended 31 August 2020, our gross profit and gross profit margin for own-branded products decreased as compared with the corresponding period in 2019 mainly due to the certain fixed components of cost of sales such as depreciation expenses of machinery and production staff cost incurred during the outbreak of COVID-19 as discussed above.

The following table sets forth the breakdown of revenue, gross profit and gross profit margin generated from the sales of products under Coolsa brand by product category for the years/periods indicated:

	For the year ended 31 December									For the eight months ended 31 August					
	2017			2018			2019			2019			2020		
	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin
RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	
	(unaudited)														
Gum-based candies	15,347	2,758	18.0	15,078	2,739	18.2	19,571	3,921	20.0	15,782	3,431	21.7	7,998	1,589	19.9
Tablet candies	53,588	23,812	44.4	54,249	23,669	43.6	72,610	33,091	45.6	51,034	24,116	47.3	51,523	22,724	44.1
Aerated candies	49,729	21,548	43.3	44,391	18,832	42.4	62,008	25,258	40.7	32,270	13,552	42.0	39,922	14,702	36.8
Hard candies	11,065	4,727	42.7	11,487	4,682	40.8	10,414	4,370	42.0	9,933	4,168	42.0	9,583	3,864	40.3
Others (Note)	5,661	2,117	37.4	5,398	1,868	34.6	5,671	1,836	32.4	2,787	906	32.5	1,911	574	30.0
Total	135,390	54,962	40.6	130,603	51,790	39.7	170,274	68,476	40.2	111,806	46,173	41.3	110,937	43,453	39.2

Note: Included products which are developed or sold by us on a trial basis, such as (i) other sugar confectionary products, including candy flavoured straws and chocolate-made products, and (ii) non-confectionary products, including yoghurt flavoured drinks and instant noodles.

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Regarding our products under Coolsa brand, the gross profit margin of gum-based candies was approximately 18.0% for the year ended 31 December 2017 and remained stable at 18.2% for the year ended 31 December 2018, and slightly increased to approximately 20.0% for the year ended 31 December 2019. For the year ended 31 December 2019, the gross profit margin of gum-based candies increased as a result of the increase in sales of gum-based candies with the use of Xylitol which were of a higher gross profit margin than other gum-based products of our Group. The gross profit margin of gum-based candies decreased from approximately 21.7% for the eight months ended 31 August 2019 to approximately 19.9% for the eight months ended 31 August 2020 due to certain fixed components of cost of sales incurred during the outbreak of COVID-19 as discussed above.

The gross profit margin of tablet candies under Coolsa brand remained stable at approximately 44.4% and 43.6% for the years ended 31 December 2017 and 2018, respectively. For the year ended 31 December 2019, the gross profit margin of tablet candies increased to approximately 45.6% which was mainly attributable to the increase in sales of tablet candies under Coolsa brand to end-consumers through e-commerce channel which had a higher gross profit margin than sales to distributors. The gross profit margin of tablet candies under Coolsa brand decreased from approximately 47.3% for the eight months ended 31 August 2019 to approximately 44.1% for the eight months ended 31 August 2020 due to the certain fixed components of cost of sales incurred during the outbreak of COVID-19 as discussed above.

The gross profit margin of aerated candies under Coolsa brand remained stable at approximately 43.3% and 42.4% for the years ended 31 December 2017 and 2018, respectively. For the year ended 31 December 2019, the gross profit margin of aerated candies decreased to approximately 40.7% as our Group introduced a new production line for manufacture of jelly candies under the product category of aerated candies during the respective year and the gross profit margin of which was lower as all the costs of sales for the new production line, including depreciation expenses and maintenance fee, were allocated to the new product only. The revenue derived from sales of the new product was approximately 28% of the total revenue from sales of aerated candies under Coolsa brand for the year ended 31 December 2019. The gross profit margin of aerated candies under Coolsa brand decreased from approximately 42.0% for the eight months ended 31 August 2019 to approximately 36.8% for the eight months ended 31 August 2020 due to the certain fixed components of cost of sales incurred during the outbreak of COVID-19 as discussed above and the introduction of a new production line for manufacture of jelly candies which are under the product category of aerated candies in September 2019 which had a lower gross profit margin as all the costs of sales for the new production line, including depreciation expenses and maintenance fee, were allocated to these new products only.

The gross profit margin of hard candies under Coolsa brand was approximately 42.7%, 40.8% and 42.0% for the years ended 31 December 2017, 2018 and 2019, respectively. The gross profit margin of hard candies under Coolsa brand decreased from approximately 42.0% for the eight months ended 31 August 2019 to approximately 40.3% for the eight months ended 31 August 2020 due to the certain fixed components of cost of sales incurred during the outbreak of COVID-19 as discussed above.

Others mainly include chocolate-made products and yoghurt flavoured drinks which had a gross profit margin of approximately 37.4%, 34.6% and 32.4% for the years ended 31 December 2017, 2018 and 2019, respectively. The gross profit margin decreased for years ended 31 December 2018 and 2019 as the yoghurt flavoured drinks introduced in 2018 had a lower gross profit margin than the chocolate-made products. The revenue derived from the sales of yoghurt flavoured drinks accounted for

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approximately 34% and 51% of the total revenue from the sales of products under Coolsa brand categorised as others for the year ended 31 December 2018 and 2019, respectively. The gross profit margin of hard candies under Coolsa brand decreased from approximately 32.5% for the eight months ended 31 August 2019 to approximately 30.0% for the eight months ended 31 August 2020 due to certain fixed components of cost of sales incurred during the outbreak of COVID-19 as discussed above.

Other income, gain or (loss), net

The following table sets forth a breakdown of other income, gain or (loss), net of our Group for the years/periods indicated:

	For the year ended 31 December			For the eight months ended 31 August	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Government grants	14,512	3,646	85	55	38
Exchange (loss)/gain	(1,041)	328	6	205	42
Rental income	66	40	52	34	18
Bank interest income	70	71	68	39	45
Reversal of expected credit losses on trade receivables	—	—	—	334	562
	<u>13,607</u>	<u>4,085</u>	<u>211</u>	<u>667</u>	<u>705</u>

Other income, gain or loss comprised, bank interest income, exchange gain or loss, rental income government grants and reversal of expected credit losses on trade receivables. Rental income represents the rental income earned from leasing out space in the factory as supermarket. Government grants were generally one-off in nature and had no condition attached.

Our other income, gain or loss decreased by approximately RMB9.5 million or 69.9% from approximately RMB13.6 million for the year ended 31 December 2017 to approximately RMB4.1 million for the year ended 31 December 2018, mainly attributable to the decrease in the non-recurring government grants in various form of subsidies to our Group amounted to approximately RMB14.5 million. In May 2017, the State-Owned Land Resources Bureau of Jinjiang City of Fujian Province* (福建晉江市國土資源局) signed an agreement with our Group, pursuant to which the State-Owned Land Resources Bureau of Jinjiang City of Fujian Province compensated our Group with approximately RMB13.6 million for the land expropriation of certain portion of the land in Luoshan Street in Jinjiang City.

Our other income, gain or loss decreased to approximately RMB0.2 million for the year ended 31 December 2019, mainly attributable to the decrease in government grants during the year.

Our other income, gain or losses remained stable at approximately RMB0.7 million for the eight months ended 31 August 2019 and 2020.

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Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses for the years/ periods indicated:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Marketing and promotion	11,608	36.8	11,097	35.4	11,785	36.3	6,992	33.0	5,950	29.8
Staff costs	9,505	30.1	8,334	26.5	7,920	24.4	5,179	24.5	5,392	27.0
Travelling expenses	4,822	15.3	5,087	16.2	5,178	15.9	4,029	19.0	3,264	16.4
Delivery and inspection	3,979	12.6	4,495	14.3	5,099	15.7	3,245	15.3	3,244	16.3
Office expenses and others ^(Note)	1,658	5.2	2,375	7.6	2,495	7.7	1,736	8.2	2,089	10.5
	<u>31,572</u>	<u>100.0</u>	<u>31,388</u>	<u>100.0</u>	<u>32,477</u>	<u>100.0</u>	<u>21,181</u>	<u>100.0</u>	<u>19,939</u>	<u>100.0</u>

Note: Others mainly represented depreciation expense and e-commerce related expenses.

Selling and distribution expenses comprised of the cost of delivery and inspection, marketing and promotion, staff costs, travelling expenses, and office expenses and others. Marketing and promotion expenses primarily consisted of promotional expenses such as cost of promotional campaigns and marketing activities of supermarket, cost of participating in related trade shows, advertising fees and exhibition expenses.

Our selling and distribution expenses remained relatively stable at approximately RMB31.4 million for the year ended 31 December 2018 as compared to that for the year ended 31 December 2017, with the combined effect of the increase in office expenses and others and travelling expenses in total of approximately RMB1.0 million and the decrease in staff costs for approximately RMB1.2 million as we reduced the number of our staff in sales teams following the reduction in the number of our distributors.

Our selling and distribution expenses slightly increased by approximately RMB1.1 million or 3.5% from approximately RMB31.4 million for the year ended 31 December 2018 to approximately RMB32.5 million for the year ended 31 December 2019, which was mainly attributable to the net effect of (i) the increase in marketing and promotion expenses and delivery and inspection costs for approximately RMB1.3 million as our revenue increased during the year; and (ii) the decrease in staff costs by approximately RMB0.4 million as we had fewer staff in sales teams for the year ended 31 December 2019 compared with the year ended 31 December 2018. The average number of staff in sales team was 98 and 79 for the year ended 31 December 2018 and 2019, respectively.

Our selling and distribution expenses decreased by approximately RMB1.3 million or 6.1% from approximately RMB21.2 million for the eight months ended 31 August 2019 to approximately RMB19.9 million for the eight months ended 31 August 2020 which was due to the decrease in marketing and promotion expenses and travelling expenses for the period as some marketing activities and some business travel activities could not take place due to the outbreak of the COVID-19.

As our major brand Coolsa has an operating history of approximately 16 years in the PRC, we maintained a relatively stable budget as suggested by our marketing department with the aid of external marketing companies to maintain our brand awareness.

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Administrative expenses

Administrative expenses mainly comprised of depreciation and amortisation expenses, taxes and stamp duty, staff costs, Listing expenses, office expenses and others. The following table sets forth a breakdown of our administrative expenses for the years/periods indicated:

	For the year ended 31 December						For the eight months ended 31 August			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	3,697	22.4	3,994	19.5	3,925	16.0	2,570	14.2	2,431	21.1
Taxes and stamp duty	2,769	16.8	2,882	14.1	2,696	11.0	1,834	10.2	2,171	18.8
Entertainment and transportation expenses	2,471	15.0	3,198	15.6	3,498	14.3	2,398	13.3	2,029	17.6
Depreciation and amortisation	2,402	14.5	2,525	12.3	2,488	10.2	1,673	9.3	1,632	14.1
Research and development	864	5.2	1,111	5.4	1,161	4.8	561	3.1	617	5.3
Utility expenses	574	3.5	627	3.1	811	3.3	529	2.9	418	3.6
Disposal of property, plant and equipment and prepaid lease payment	1,876	11.4	468	2.3	—	—	—	—	28	0.2
Donation	600	3.6	—	—	200	0.8	200	1.1	138	1.2
Listing expenses	—	—	3,960	19.4	7,445	30.4	6,815	37.7	1,124	9.7
Legal and professional expenses	168	1.0	28	0.1	392	1.6	260	1.4	122	1.1
Allowance for expected credit losses on trade receivables	—	—	171	0.8	248	1.0	—	—	—	—
Office expenses and others ^(Note)	1,088	6.6	1,490	7.4	1,603	6.6	1,231	6.8	836	7.3
	<u>16,509</u>	<u>100.0</u>	<u>20,454</u>	<u>100.0</u>	<u>24,467</u>	<u>100.0</u>	<u>18,071</u>	<u>100.0</u>	<u>11,546</u>	<u>100.0</u>

Note: Others mainly represented insurance fee.

Our administrative expenses increased by approximately RMB4.0 million or 24.2% from approximately RMB16.5 million for the year ended 31 December 2017 to approximately RMB20.5 million for the year ended 31 December 2018, mainly attributable to the Listing expenses of approximately RMB4.0 million incurred during the year.

Our administrative expenses increased by approximately RMB4.0 million or 19.5% from approximately RMB20.5 million for the year ended 31 December 2018 to approximately RMB24.5 million for the year ended 31 December 2019 which was mainly attributable to the increase of Listing expenses of approximately RMB3.5 million incurred during that period.

Our administrative expenses decreased by approximately RMB6.6 million or 36.5% from approximately RMB18.1 million for the eight months ended 31 August 2019 to approximately RMB11.5 million for the eight months ended 31 August 2020 which was mainly attributable to the decrease of Listing expenses of approximately RMB5.7 million and the impact of COVID-19 so that less operational administrative expenses were incurred during the period.

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Finance costs

Our finance costs represent interest on bank borrowings. For the three years ended 31 December 2019 and the eight months ended 31 August 2019 and 2020 our finance costs were approximately RMB11.8 million, RMB13.5 million, RMB14.5 million, RMB9.7 million and RMB9.3 million, respectively.

Our finance costs increased by approximately RMB1.7 million or 14.4% from approximately RMB11.8 million for the year ended 31 December 2017 to approximately RMB13.5 million for the year ended 31 December 2018, mainly attributable to the increase in bank borrowings of approximately RMB38.0 million as at 31 December 2018.

Our finance costs increased by approximately RMB1.0 million or 7.4% from approximately RMB13.5 million for the year ended 31 December 2018 to approximately RMB14.5 million for the year ended 31 December 2019, mainly attributable to higher average amount of bank borrowing during the year.

Our finance costs decreased by approximately RMB0.4 million or 4.1% from approximately RMB9.7 million for the eight months ended 31 August 2019 to approximately RMB9.3 million for the eight months ended 31 August 2020, mainly attributable to lower average amount of bank borrowing during the period.

Taxation

Our taxation decreased by approximately RMB1.1 million or 7.0% from approximately RMB15.8 million for the year ended 31 December 2017 to approximately RMB14.7 million for the year ended 31 December 2018. The decrease was primarily due to the decrease in profit before tax of approximately RMB8.8 million. Our effective tax rate slightly increased to approximately 27.6% for the year ended 31 December 2018 mainly due to the Listing expenses which is generally not deductible in nature.

Our taxation increased by approximately RMB1.3 million or 8.8% from approximately RMB14.7 million for the year ended 31 December 2018 to approximately RMB16.0 million for the year ended 31 December 2019. The increase was primarily due to the increase in profit before taxation for approximately RMB5.8 million. Our effective tax rate was approximately 27.0% for the year ended 31 December 2019.

Our taxation decreased by approximately RMB1.1 million or 10.9% from approximately RMB10.1 million for the eight months ended 31 August 2019 to approximately RMB9.0 million for the eight months ended 31 August 2020. The decrease was primarily due to the decrease in profit before taxation for approximately RMB1.3 million. Our effective tax rate was approximately 25.9% for the eight months ended 31 August 2020.

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LIQUIDITY AND CAPITAL RESOURCES

Financial resources

During the Track Record Period, our primary use of cash had been the payment for purchases of raw materials for manufacturing, staff costs and welfares, production costs and various operating expenses. Historically, we have financed our liquidity requirements through a combination of cash generated from our operating activities and bank borrowings and bill payables.

Cash flows

	For the year ended 31 December			For the eight months ended 31 August
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating profit before working capital change	86,627	79,533	91,867	54,977
Change in working capital	<u>(56,720)</u>	<u>14,798</u>	<u>(27,092)</u>	<u>(37,241)</u>
Net cash generated from operations	29,907	94,331	64,775	17,736
Income tax paid	<u>(14,995)</u>	<u>(15,282)</u>	<u>(16,980)</u>	<u>(9,592)</u>
Net cash generated from operating activities	14,912	79,049	47,795	8,144
Net cash used in investing activities	(8,553)	(71,929)	(44,292)	(6,194)
Net cash generated from/(used in) financing activities	<u>3,503</u>	<u>2,874</u>	<u>(9,531)</u>	<u>(17,632)</u>
Net increase/(decrease) in cash and cash equivalents	9,862	9,994	(6,028)	(15,682)
Cash and cash equivalents at the beginning of the year/period	23,756	33,604	43,393	37,684
Effect of exchange rate changes	<u>(14)</u>	<u>(205)</u>	<u>319</u>	<u>273</u>
Cash and cash equivalents at the end of the year/period	<u><u>33,604</u></u>	<u><u>43,393</u></u>	<u><u>37,684</u></u>	<u><u>22,275</u></u>

Cash flows from operating activities

Our cash inflow from operating activities was principally derived from the receipt of payments for the sales of our OEM products and own-branded products. Our cash used in operating activities was principally for purchase of raw materials, payment of staff costs, income tax, selling and distribution expenses and administrative and other operating expenses.

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Net cash generated from operating activities for the year ended 31 December 2017 was approximately RMB14.9 million. Operating cash flows before changes in working capital were approximately RMB86.6 million, primarily reflecting profit before income taxation of approximately RMB62.2 million, as positively adjusted by depreciation of property, plant and equipment of approximately RMB10.5 million, loss on disposal of prepaid lease payment of approximately RMB1.9 million and the interest expenses of approximately RMB11.8 million. Change in working capital contributed a cash outflow in the amount of approximately RMB56.7 million consisting primarily of (i) an increase in prepayments and other receivables of approximately RMB26.8 million; (ii) an increase in inventories of approximately RMB15.9 million; and (iii) an increase of trade receivables of approximately RMB13.3 million. Operating cash outflow also included payment of income tax of approximately RMB15.0 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Selected items of consolidated statements of financial position” in this section.

Net cash generated from operating activities for the year ended 31 December 2018 was approximately RMB79.0 million. Operating cash flows before changes in working capital were approximately RMB79.5 million, primarily reflecting profit before taxation of approximately RMB53.4 million, as positively adjusted by depreciation of property, plant and equipment of approximately RMB11.5 million and the interest expenses of approximately RMB13.5 million. Change in working capital contributed a cash inflow in the amount of approximately RMB14.8 million consisting primarily of (i) a decrease of prepayments and other receivables of approximately RMB26.8 million; (ii) an increase in trade receivable of approximately RMB11.4 million; (iii) a decrease of trade payables of approximately RMB5.2 million; and (iv) a decrease in inventories of approximately RMB3.1 million. Operating cash outflow also included payment of income tax of approximately RMB15.3 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Selected items of consolidated statements of financial position” in this section.

Net cash generated from operating activities for the year ended 31 December 2019 was approximately RMB47.8 million. Operating cash flows before changes in working capital were approximately RMB91.9 million, primarily reflecting profit before taxation of approximately RMB59.2 million, as positively adjusted by depreciation of property, plant and equipment of approximately RMB17.4 million and the interest expenses of approximately RMB14.5 million. Change in working capital contributed a cash outflow in the amount of approximately RMB27.1 million consisting primarily of (i) a decrease in inventories of approximately RMB0.9 million; (ii) an increase in trade receivables of approximately RMB16.3 million; (iii) an increase in prepayments and other receivables of approximately RMB7.8 million; (iv) a decrease in trade payables of approximately RMB10.6 million; and (v) an increase of accruals and other payables of approximately RMB7.0 million. Operating cash outflow also included payment of income tax of approximately RMB17.0 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Selected items of consolidated statements of financial position” in this section.

Net cash generated from operating activities for the eight months ended 31 August 2020 was approximately RMB8.1 million. Operating cash flows before changes in working capital were approximately RMB55.0 million, primarily reflecting profit before taxation of approximately RMB34.9 million, as positively adjusted by depreciation of property, plant and equipment of approximately RMB11.0 million and the interest expenses of approximately RMB9.3 million. Change in working

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capital contributed a cash outflow in the amount of approximately RMB37.2 million consisting primarily of (i) an increase in inventories of approximately RMB6.9 million; (ii) a decrease in trade receivables of approximately RMB11.8 million; (iii) an increase in prepayments and other receivables of approximately RMB23.7 million; (iv) a decrease in trade payables of approximately RMB14.1 million; (v) a decrease in contract liabilities of approximately RMB2.7 million; and (vi) a decrease of bank borrowings and bills payables of approximately RMB9.1 million. Operating cash outflow also included payment of income tax of approximately RMB9.6 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Selected items of consolidated statements of financial position” in this section.

Cash flows from investing activities

For the year ended 31 December 2017, we recorded net cash used in investing activities of approximately RMB8.6 million, primarily as a result of the purchase of plant and machinery of approximately RMB8.6 million.

For the year ended 31 December 2018, we recorded net cash used in investing activities of approximately RMB71.9 million, primarily as a result of the purchase of plant and machinery of approximately RMB24.3 million and construction in progress of approximately RMB32.8 million and purchase of prepaid lease payments of approximately RMB14.9 million.

For the year ended 31 December 2019, we recorded net cash used in investing activities of approximately RMB44.3 million, primarily as a result of the purchase of property, plant and equipment of approximately RMB44.4 million.

For the eight months ended 31 August 2020, the net cash used in investing activities of approximately RMB6.2 million, primary as a result of the purchase of property, plant and equipment.

Cash flows from financing activities

For the year ended 31 December 2017, we recorded net cash generated from financing activities of approximately RMB3.5 million primarily as a result of (i) the advance to director of approximately RMB44.3 million; (ii) proceeds from bank borrowings of approximately RMB189.0 million; (iii) the repayment of bank borrowings of approximately RMB179.0 million; (iv) the payment of interest of approximately RMB11.8 million; and (v) the increase in bills payable of approximately RMB44.2 million.

For the year ended 31 December 2018, we recorded net cash generated from financing activities of approximately RMB2.9 million primarily as a result of (i) the advance from director of approximately RMB100.7 million; (ii) proceeds from bank borrowings of approximately RMB227.0 million; (iii) the repayment of bank borrowings of approximately RMB189.0 million; (iv) the payment of interest of approximately RMB13.5 million; (v) the repayment of bills payable of approximately RMB41.2 million; and (vi) the effect of reorganisation of approximately RMB85.0 million.

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For the year ended 31 December 2019, we recorded net cash used in financing activities of approximately RMB9.5 million primarily as a result of (i) the advance from director of approximately RMB4.9 million; (ii) proceeds from bank borrowings of approximately RMB225.0 million; (iii) the repayment of bank borrowings of approximately RMB227.0 million; (iv) the payment of interest of approximately RMB14.5 million; and (v) the increase in bills payable of approximately RMB2.0 million.

For the eight months ended 31 August 2020, we recorded net cash used in financing activities of approximately RMB17.6 million primarily as a result of (i) the advance from director of approximately RMB0.7 million; (ii) proceeds from bank borrowings of approximately RMB146.6 million; (iii) the repayment of bank borrowings of approximately RMB150.7 million and (iv) the payment of interest of approximately RMB9.3 million.

Net current assets and liabilities

The following table sets forth a breakdown of our net current assets/liabilities as at the dates indicated:

	As at 31 December			As at 31 August 2020	As at 31 December 2020
	2017	2018	2019	2020	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
Current assets					
Prepaid lease payments	280	579	—	—	—
Inventories	77,867	74,745	73,791	80,718	81,199
Trade receivables	78,938	89,515	105,616	94,380	97,370
Prepayments and other receivables	28,443	1,625	9,411	33,118	45,409
Amount due from a director	98,025	—	—	—	—
Cash and cash equivalents	33,604	43,393	37,684	22,275	28,468
	<u>317,157</u>	<u>209,857</u>	<u>226,502</u>	<u>230,491</u>	<u>252,446</u>
Current liabilities					
Trade payables	34,751	29,510	18,931	4,799	5,067
Accruals and other payables	4,000	5,117	12,163	10,636	11,083
Contract liabilities	2,784	3,124	2,746	—	1,056
Bank borrowings	189,000	226,950	225,000	220,920	218,920
Bills payables	44,240	3,000	5,000	—	—
Amounts due to a director	—	2,686	7,575	8,289	8,309
Tax payables	4,937	4,433	3,520	2,835	4,374
	<u>279,712</u>	<u>274,820</u>	<u>274,935</u>	<u>247,479</u>	<u>248,809</u>
Net current assets/(liabilities)	<u>37,445</u>	<u>(64,963)</u>	<u>(48,433)</u>	<u>(16,988)</u>	<u>3,637</u>

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Our Group recorded net current assets of approximately RMB37.4 million as at 31 December 2017 while recorded a net current liabilities position of approximately RMB65.0 million as at 31 December 2018 mainly due to (i) a deemed distribution of RMB85.0 million to our Controlling Shareholders, which decreased our share capital and amount due from a director, as at 31 December 2018; and (ii) our capital expenditure for purchase of machinery of approximately RMB24.3 million and construction of new production facilities of approximately RMB32.8 million which were classified as non-current asset as at 31 December 2018.

Our Group recorded an improvement of net current liabilities to approximately RMB48.4 million as at 31 December 2019 which was mainly attributable to the increase in trade receivables of approximately RMB16.1 million as in line with our total revenue growth.

Our Group recorded a further improvement in net current liabilities to approximately RMB17.0 million as at 31 August 2020 which was mainly attributable to the combined effect of (i) the increase of prepayments and other receivables of approximately RMB23.7 million mainly funded by the total comprehensive income of approximately RMB26.1 million during the period ended 31 August 2020; and (ii) our capital expenditure for property, plant and equipment of approximately RMB6.2 million.

Our Group recorded net current assets of approximately RMB3.6 million as at 31 December 2020. Such improvement from net current liabilities position as compared to that as at 31 August 2020 was mainly attributable to the profit and comprehensive income recorded during the period.

Working capital

We are confident that we have sufficient financial resources including our bank balances, cash flows from operating activities, bank loans and other borrowings presently available and the estimated net proceeds from the Global Offering as follows:

- the estimated net proceeds from the Global Offering of approximately HK\$70.8 million (calculated based on (i) the mid-point of the indicative Offer Price range of approximately HK\$0.7 per Offer Share and (ii) the issue of 198,000,000 new Shares under the Global Offering) to be received by our Group;
- the unutilised banking facilities of approximately RMB72.9 million as at 31 December 2020, being the latest practicable date for the purpose of determining our indebtedness;
- our cash and cash equivalents amounted to approximately RMB33.6 million, RMB43.4 million, RMB37.7 million, RMB22.3 million and RMB28.5 million as of 31 December 2017, 2018, 2019, 31 August 2020 and 31 December 2020, respectively;
- the operating profit before working capital changes of approximately RMB86.6 million, RMB79.5 million RMB91.9 million and RMB55.0 million for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020, respectively;

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- we had not experienced difficulties in meeting the obligations under the bank facilities during the Track Record Period and up to the Latest Practicable Date and none of our Group's bank borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financing;
- we had not experienced any difficulty in obtaining credit facilities, withdrawal of banking facilities, request for early repayment by banks, or default in payment or breach of financial covenants during the Track Record Period and up to the Latest Practicable Date and the principal banks of the Group advised that there is no obstacle to renew the current banking facilities at current terms according to the interviews conducted with them; and
- subsequent to 31 August 2020 and up to the Latest Practicable Date, approximately RMB94.4 million, representing all the trade receivable outstanding as of 31 August 2020 were settled.

To improve our working capital and liquidity position, we intend to adopt or have adopted and implemented the following internal control measures to manage and control our working capital and liquidity position at a prudent level:

- we have designated Mr. Chen Kan, our chief financial officer, to review regularly and update our liquidity and funding policies to ensure that it is aligned with our business plan and financial position, and report comprehensively on the working capital and liquidity management to the Board at least once a month;
- we prepare cash flow and funding summaries on a regular basis to monitor our cash flow in connection with operating costs, financing, repayments of loans, purchase of property, plant and equipment, tax payables and other expenses. Our finance department also prepares periodic cash flow reports for our senior management to monitor and manage collection and use of cash. Our Directors and senior management hold regular meetings to review cash flow in respect of each major business activity and transaction;
- we would continue to enhance our working capital management, we seek to manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. We carefully consider our cash position and ability to obtain further financing when arranging payment for major business plans and transactions. We will continue to assess available resources to finance our business needs on an ongoing basis and proactively adjust our business plans or implement cost control measures if necessitated by our then-existing financial conditions and cash requirements; and
- we would continue to maintain stable relationship with our principal banks so as to timely obtain/renew bank borrowings if so required and on acceptable terms to our Group. We have obtained a financing proposal from a bank which indicated that such bank is willing to provide mid to long-term bank loans of RMB50 million for a term of three to five years at market interest rate to our Group subsequent to the Listing, subject to applicable terms and conditions. For future bank borrowings, we would consider to reduce our short-term loans which primarily resulted in our net current liabilities position during the Track Record

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Period, and negotiate with banks to obtain long-term bank loans with favourable terms. Our Directors believe that by replacing our short-term borrowings with long-term borrowings, our net current liabilities position would be enhanced.

Our Directors, after due inquiry and taking into account of the financial resources presently available to us, including our Group's existing cash and cash equivalents, the available banking facilities and the estimated net proceeds from the Global Offering, confirm that our Group will have sufficient available working capital for our present requirements at least for the next 12 months from the date of this prospectus.

SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

During the Track Record Period, our inventories primarily consisted of raw materials. The following table sets out a summary of our inventories balance as at the dates indicated.

	As at 31 December			As at
	2017	2018	2019	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Raw materials	45,078	44,813	44,738	54,706
Work in progress	5,954	8,776	11,754	5,885
Finished goods	26,835	21,156	17,299	20,127
	77,867	74,745	73,791	80,718

Our raw materials mainly consisted of sugar, additives and packaging materials. Our work-in-progress represents the raw materials that have entered the production process. Our finished goods represent our confectionary products that have completed the manufacturing process but have not yet been sold or distributed to customers. As at 31 December 2017, 2018, 2019 and 31 August 2020, the balance of our inventories represented approximately 24.6%, 35.6%, 32.6% and 35.0% of our current assets, respectively. Pursuant to our inventory policy, the value of inventory shall be stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis and net realisable value means the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. During the Track Record Period, we did not make any provision to the value of our inventories.

Our inventories decreased by approximately RMB3.2 million or 4.1% from approximately RMB77.9 million as at 31 December 2017 to approximately RMB74.7 million as at 31 December 2018, primarily due to the decrease in our finished good by approximately RMB5.7 million as we managed to deliver more confectionary products toward the year end in 2018 as compared to 2017.

Our inventories slightly decreased by approximately RMB0.9 million or 1.2% from approximately RMB74.7 million as at 31 December 2018 to approximately RMB73.8 million as at 31 December 2019 primarily due to decrease in our finished goods by approximately RMB3.9 million as we managed to deliver more confectionary products toward the year end in 2019 as compared to 2018.

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Our inventories increased by approximately RMB6.9 million or 9.3% from approximately RMB73.8 million as at 31 December 2019 to approximately RMB80.7 million as at 31 August 2020 primarily due to the increase in raw materials on hand to fulfil orders from customers in the future.

The following table set out our inventory turnover days as at the dates indicated:

	For the year ended 31 December			For the eight months ended 31 August
	2017	2018	2019	2020
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
Inventory turnover days	103.2	104.7	95.6	115.7

Note: Inventory turnover days for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020 are the average of beginning and ending inventory balances for the year divided by the cost of inventory for the year/period and multiplied by the number of the days in the year/period (2017, 2018, 2019: 365; 2020: 244).

Our inventory turnover days increased from approximately 103.2 days for the year ended 31 December 2017 to approximately 104.7 days for the year ended 31 December 2018. Such increase was primarily due to the increase in our inventories balance in 2017 and 2018 as compared to 2016. Our inventory turnover days decreased to approximately 95.6 days for the year ended 31 December 2019 primarily due to decrease in our inventory balance as at 31 December 2019. The inventory turnover days then increased to approximately 115.7 days for the eight months ended 31 August 2020 due to increase in our inventory balance for approximately RMB6.9 million and thus had a higher average inventory balance as at 31 August 2020 since our Group ordered more raw material such as white sugar for the order on hand.

The following table sets out our inventory ageing analysis as at the dates indicated:

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	50,667	32,667	35,894	24,433
31–60 days	20,748	15,496	15,301	31,361
61–90 days	2,808	13,038	13,337	13,789
Over 90 days	3,644	13,544	9,259	11,135
	77,867	74,745	73,791	80,718

As at the Latest Practicable Date, approximately RMB80.2 million and 99.4% of inventories as at 31 August 2020 were subsequently utilised/sold.

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Trade receivables

The following table sets forth a breakdown of our trade receivables as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	78,938	90,296	106,645	94,847
Less: allowance for expected credit losses	—	(781)	(1,029)	(467)
	<u>78,938</u>	<u>89,515</u>	<u>105,616</u>	<u>94,380</u>

Trade receivables mainly represented the outstanding amounts receivable by us from the sales of our confectionary products. Our trade receivables amounted to approximately RMB78.9 million, RMB89.5 million and RMB105.6 million and RMB94.4 million as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively. Our Group's credit terms generally request the repayment of bills from our customers of up to 180 days. The increase in our trade receivables during the Track Record Period was largely in line with the increase in our total revenue.

The ageing analysis of trade receivables, based on invoice date, as at the end of each reporting years/periods is as follows:

	As at 31 December			As at
	2017	2018	2019	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	20,815	25,995	35,808	38,767
31–60 days	22,673	30,028	22,765	28,164
61–90 days	18,617	23,572	26,756	19,533
91–180 days	14,653	6,761	20,287	7,916
181–365 days	1,023	1,393	—	—
Over 365 days	1,157	1,766	—	—
	<u>78,938</u>	<u>89,515</u>	<u>105,616</u>	<u>94,380</u>

As at 31 December 2017, included in the trade receivables with an aggregate carrying amount of approximately RMB6.1 million, were past due but not impaired as our Group considered such balance could be recovered based on the repayment history. As at 31 December 2018, our Group adopted simplified approach as permitted under HKFRS 9 and measured the expected credit loss for all trade receivables. Trade receivables subject to same debtor have been grouped and assessed for expected credit loss based on individual assessment. We have recognised approximately RMB0.8 million, RMB1.0 million and RMB0.5 million expected credit loss on trade receivables as at 31 December 2018, 31 December 2019 and 31 August 2020. The remaining trade receivables are those related to the

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customers for whom there are no significant financial difficulty and based on past experience, the balances can be recovered. Our Directors believe that no impairment allowance is necessary in respect of these balances as a there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

The following table sets out our trade receivables turnover days as at the dates indicated:

	For the year ended 31 December			For the eight months ended
	2017	2018	2019	31 August 2020
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
Trade receivables turnover days	74.2	80.7	86.0	102.6

Note: Trade receivables turnover days for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020 are the average of beginning and ending trade receivables balances for the year divided by the turnover for the year/period and multiplied by the number of the days in the respective year/period (2017, 2018, 2019: 365; 2020: 244).

We generally granted a credit period of up to 180 days to our customers and our trade receivables' turnover days for the years ended 31 December 2017, 2018, 2019 and 31 August 2020 were approximately 74.2 days, 80.7 days, 86.0 days and 102.6 days, respectively. The trade receivables turnover days of our Group is within the range of the credit period granted to our customers and the increase in turnover days for the three years ended 31 December 2019 was mainly due to the increase in sales to our major customers who were generally granted longer credit period. For the eight months ended 31 August 2020, the trade receivables turnover day increased to 102.6 days as certain customers took a longer time to authorise the settlement under the outbreak of the COVID-19 and we recorded approximately RMB94.4 million of trade receivables as at 31 August 2020 which led to a higher average trade receivables balances. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material default in payment from our customers.

As at the Latest Practicable Date, approximately RMB94.4 million, representing all trade receivables as at 31 August 2020 were subsequently settled.

Prepayments and other receivables

The following table sets forth a breakdown of our prepayments and other receivables at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	31 August 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	27,596	1,362	8,410	32,398
Other receivables	847	263	1,001	720
	28,443	1,625	9,411	33,118

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Prepayments primarily consisted of (i) prepayment to our suppliers for purchase of raw materials; (ii) prepayment for Listing expenses, and (iii) the prepayment of value-added tax. Other receivables primarily represented value-added tax receivables.

Our prepayments and other receivables decreased by approximately RMB26.8 million or approximately 94.4% from approximately RMB28.4 million as at 31 December 2017 to approximately RMB1.6 million as at 31 December 2018, primarily due to the decrease in prepayments to Supplier A under bills arrangement with our principal bank and other suppliers for white sugar as compared to that of 31 December 2017. Such decrease was because we utilised the bills arrangement offered by the principal banks of our Group to procure more white sugar in advance since our Directors considered that our Group could benefit from the extended credit period under the bills arrangement and to reserve more white sugar as part of our Group's inventories management given the general increase in price of sugar as stated in the Frost & Sullivan Report.

Our prepayments and other receivables increased by approximately RMB7.8 million or approximately five times from approximately RMB1.6 million as at 31 December 2018 to approximately RMB9.4 million as at 31 December 2019, primarily due to increase in prepayment of Listing expenses of approximately RMB1.7 million and prepayment to suppliers of approximately RMB3.0 million for white sugar and packing materials.

Our prepayments and other receivables increased by approximately RMB23.7 million or 252.1% from approximate RMB9.4 million as at 31 December 2019 to approximately RMB33.1 million as at 31 August 2020. The increase was mainly attributable to the prepayments to our suppliers including supplier B, D, I and H to reserve more raw materials including white sugar, food additives and packing material for production to satisfy our orders on hand which have been recovered from the outbreak of the COVID-19.

As at the Latest Practicable Date, approximately RMB27.1 million, being all of our prepayments to suppliers, representing 83.6% of all prepayments as at 31 August 2020 were subsequently utilised.

Trade payables

The following table sets out our trade payables as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	34,751	29,510	18,931	4,799

During the Track Record Period, trade payables mainly consisted of balance due to our suppliers for purchase of direct materials. Our trade payables mainly consisted of payables to our suppliers of raw materials and are recognised upon receipt of goods. Our Group was generally offered credit periods of up to 60 days by our suppliers.

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Our trade payables decreased by approximately RMB5.3 million, or 15.2%, from approximately RMB34.8 million as at 31 December 2017 to approximately RMB29.5 million as at 31 December 2018. Such decrease was primarily as a result of the settlement to the suppliers of packaging materials toward the year ended 31 December 2018. Our trade payables further decreased to approximately RMB18.9 million as at 31 December 2019 because we settled the balance with most of our suppliers in anticipation of the increased purchases towards the year end to cater for the surge in sales and production in the first quarter of our financial year. Our trade payables further decreased to approximately RMB4.8 million as at 31 August 2020 as we settled the balance with most of our suppliers as such trade payables fall due towards the period end.

The following table sets out our trade payables ageing analysis as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Within 30 days	17,818	27,770	16,997	4,289
31–60 days	13,465	1,740	1,934	510
61–90 days	3,468	—	—	—
Over 91 days	—	—	—	—
	<u>34,751</u>	<u>29,510</u>	<u>18,931</u>	<u>4,799</u>

The following table set out our trade payables turnover days for the years/periods indicated:

	For the year ended 31 December			For the
	2017	2018	2019	eight months
	<i>days</i>	<i>days</i>	<i>days</i>	ended
				31 August
				2020
				<i>days</i>
Trade payables turnover days	<u>57.1</u>	<u>53.9</u>	<u>38.2</u>	<u>21.6</u>

Note: Trade payables turnover days for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020 are the average of beginning and ending trade payables balances for the year divided by the purchase for the year/period and multiplied by the number of the days in the respective year/period (2017, 2018, 2019: 365; 2020: 244).

For the year ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020, the trade payables turnover days were approximately 57.1 days, 53.9 days, 38.2 days and 21.6 days, respectively. Our trade payables turnover days decreased during the Track Record Period as we keep our settlement to be consistent with the credit terms granted by our supplier in order to maintain business relationship.

As at the Latest Practicable Date, approximately RMB4.8 million and 100.0% of trade payables as at 31 August 2020 were subsequently settled.

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Accruals and other payables

The following table sets forth a breakdown of our accruals and other payables as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accruals	3,668	3,177	3,568	3,106
Other payables	332	1,940	8,595	7,530
	4,000	5,117	12,163	10,636

Accruals and other payables primarily consist of accrued salaries and staff costs, accrued Listing expenses, and other tax payables.

Our accruals and other payables increased by approximately RMB1.1 million or approximately 27.5% from approximately RMB4.0 million as at 31 December 2017 to approximately RMB5.1 million as at 31 December 2018, primarily due to the increase in other payables in relation to the Listing expenses.

Our accruals and other payables increased by approximately RMB7.1 million or approximately 139.2% from approximately RMB5.1 million as at 31 December 2018 to approximately RMB12.2 million as at 31 December 2019, primarily due to the increase in other payables in relation to the Listing expenses and other tax payables.

Our accruals and other payables decreased by approximately RMB1.6 million or 13.1% from approximately RMB12.2 million as at 31 December 2019 to approximately RMB10.6 million as at 31 August 2020, primarily due to the decrease in our other tax payables.

Amount due from/(to) a director

We had amount due from a director, Mr. Zheng Zhenzhong, of approximately RMB98.0 million as at 31 December 2017 and we had amount due to a director of approximately RMB2.7 million, RMB7.6 million and RMB8.3 million as at 31 December 2018, 31 December 2019 and 31 August 2020. All of the amount due from/(to) a director were unsecured, interest free, repayable on demand and non-trade in nature and these balances will be settled before Listing.

Property, plant and equipment

Property, plant and equipment comprise buildings, furniture and office equipment, plant and machinery, motor vehicles and construction in progress. As at 31 December 2017, 2018, 2019 and 31 August 2020, the net book amount of our property, plant and equipment amounted to approximately RMB168.2 million, RMB213.3 million, RMB240.3 million and RMB235.4 million, respectively.

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The increase of property, plant and equipment as at 31 December 2018 were mainly due to (i) the addition of plant and machinery for replacement of existing machines of approximately RMB24.3 million and (ii) the costs in relation to introduction of new production lines comprising costs of construction in progress and purchase costs of production lines and ancillary equipment of approximately RMB32.8 million. As at 31 December 2017, 2018, 2019 and 31 August 2020, approximately RMB121.9 million, RMB118.3 million, RMB188.0 million and RMB179.5 million of the property, plant and equipment, have been pledged as security for bank borrowings granted to us, respectively.

For details of our purchases and disposals of property, plant and equipment during the Track Record Period, please refer to note 15 to the accountants' report in Appendix I to the prospectus.

Prepaid lease payments/right-of-use assets

Prepaid lease payments represent the prepayment for land use rights of the land on which our manufacturing plants are located in the PRC. As at 31 December 2017 and 2018, our prepaid lease payments amounted to approximately RMB10.2 million and RMB24.6 million, respectively. The increase in prepaid lease payments as at 31 December 2018 was mainly due to the parcel of land acquired during the year.

As at 1 January 2019, upon the adoption of HKFRS 16 "Leases", prepaid lease payments of RMB24.6 million were adjusted to right-of-use assets. As at 31 December 2019 and 31 August 2020, our right-of-use assets amounted to RMB24.0 million and RMB23.6 million, respectively.

As at 31 December 2017, 2018, 2019 and 31 August 2020, the prepaid lease payments/right-of-use assets for land use rights have been pledged as securing credit facilities granted to the bank.

INDEBTEDNESS

	As at 31 December			As at 31 August	As at 31 December
	2017	2018	2019	2020	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings	189,000	226,950	225,000	220,920	218,920
Amount due to a director	—	2,686	7,575	8,289	8,309
Bills payable	44,240	3,000	5,000	—	—
Total	<u>233,240</u>	<u>232,636</u>	<u>237,575</u>	<u>229,209</u>	<u>227,229</u>

Bank borrowings and bills payable

As at 31 December 2020, being the latest practicable date for the purpose of determining our indebtedness, our borrowings comprised of bank borrowings of approximately RMB218.9 million for trade loans purpose. Our bank borrowings were secured by (i) right-use-assets of our Group; (ii)

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property, plant and equipment of our Group; (iii) personal guarantees by our Directors; (iv) personal guarantees by related parties of our Group; and (v) personal and corporate guarantees by independent third parties.

As at 31 December 2020, at the latest practicable date for the purpose of determining our indebtedness, our Group's unutilised banking facilities amounted to approximately RMB72.9 million.

The banks that granted the banking facilities to us have agreed in principal that the personal guarantees provided by our Directors, Independent Third Parties and related companies will be released upon Listing and replaced by corporate guarantee given by our Company.

Amount due to a director

As at 31 December 2020, amount due to a director was approximately RMB8.3 million which was non-trade in nature, unsecured, non-interest bearing and repayable on demand, which is expected to be settled before Listing.

Lease liabilities

We did not have lease liabilities as at 31 December 2017, 2018, 2019, 31 August 2020 and 31 December 2020 as the consideration of lease was one-off payment which was fully prepaid during the acquisition of the rights of long term lease with no other future payments incurred.

Financial guarantee

As at 31 December 2017, 2018, 2019, 31 August 2020 and 31 December 2020, we provided financial guarantees in respect of banking facilities granted to independent third parties of an amount of RMB9,100,000, RMB4,600,000, nil, nil and nil, respectively. The guarantees have been released before 31 March 2019 and there is no loss on liabilities arising from such financial guarantees during the Track Record Period.

During the year ended 31 December 2020, we provided a counter guarantee of up to RMB5.0 million by way of pledge of certain property, plant and equipment of an aggregate carrying amount of approximately RMB4.4 million, in respect of a bank loan, with a principal amount of RMB5.0 million, granted to Mr. Zheng Guodian by Rural Commercial Bank of Jinjiang. Such counter guarantee has been terminated with immediate effect on 10 December 2020 and there is no loss on liabilities arising from such counter guarantee. For further information, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

Contingent liabilities

During the Track Record Period and up to the latest practicable date for the purpose of determining our indebtedness, we did not have any material contingent liabilities. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on the information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

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Material indebtedness change

Save as disclosed above, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in indebtedness of our Group since 31 December 2020, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

Our Directors confirm that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after the Listing.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into off-balance sheet commitment and arrangements.

CAPITAL EXPENDITURES AND COMMITMENTS

Historical capital expenditure

Our capital expenditures during the Track Record Period were primarily related to purchases of property, plant and equipment and purchase of prepaid lease payment amounted to approximately RMB8.6 million, RMB72.0 million and RMB44.4 million and RMB6.2 million, respectively for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020. We have financed our capital expenditure through cash flow generated from operating activities and bank borrowings. For capital commitments, please refer to note 34 to the accountants' report in Appendix I to this prospectus.

Planned capital expenditures

Save for the planned capital expenditure as disclosed in the section headed "Future plans and use of proceeds" in this prospectus and the additions of property, plant and equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

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SUMMARY OF KEY FINANCIAL RATIOS

The following sets out our key financial ratios for the years/periods and as at the dates indicated:

	For the year ended 31 December			For the eight months ended 31 August	
	2017	2018	2019	2019 (unaudited)	2020
Profitability					
Gross profit margin ⁽¹⁾	30.5%	30.1%	31.5%	32.3%	31.5%
Net profit margin ⁽²⁾	13.0%	10.2%	10.4%	9.7%	10.9%
Return on equity ⁽³⁾	21.5%	22.4%	20.0%	N/A	N/A
Return on total assets ⁽⁴⁾	9.4%	8.6%	8.8%	N/A	N/A
					As at
					31 August
		2017	2018	2019	2020
Liquidity					
Current ratio ⁽⁵⁾		1.1 times	0.8 times	0.8 times	0.9 times
Quick ratio ⁽⁶⁾		0.9 times	0.5 times	0.6 times	0.6 times
Capital adequacy					
Gearing ratio ⁽⁷⁾		1.1 times	1.3 times	1.1 times	0.9 times
Net debt to equity ratio ⁽⁸⁾		0.9 times	1.1 times	0.9 times	0.8 times
Interest coverage ⁽⁹⁾		6.3 times	4.9 times	5.1 times	4.8 times

Notes:

- (1) Gross profit margin is calculated based on the gross profit for the year/period divided by total revenue and multiplied by 100%.
- (2) Net profit margin is calculated based on the net profit attributable to the owners of our Company for the year/period divided by total revenue and multiplied by 100%.
- (3) Return on equity is calculated based on the net profit attributable to the owners of our Company for the year divided by total equity at the end of the year and multiplied by 100%.
- (4) Return on total assets is calculated based on the net profit attributable to the owners of our Company for the year divided by total assets at the end of the year and multiplied by 100%.
- (5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year/period.
- (6) Quick ratio is calculated based on the total current assets minus inventories divided by the total current liabilities as at the end of the year/period.
- (7) Gearing ratio is calculated based on the sum of our bank borrowings and bills payable divided by total equity at the end of the year/period.

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- (8) Net debt to equity ratio is calculated as debt which includes bank borrowings and bills payable minus our bank balances and cash divided by total equity at the end of the year/period.
- (9) Interest coverage ratio is calculated by profit before interest and tax divided by the finance costs as at the end of the year/period.

Gross profit margin

Despite the increase in our average selling price of some of our confectionary products, such as our OEM products, during the years ended 31 December 2017 and 2018, the gross profit margin decreased from approximately 30.5% for the year ended 31 December 2017 to approximately 30.1% for the year ended 31 December 2018 mainly attributable to general increase in the selling price of sugar as stated in the Frost & Sullivan Report. For the year ended 31 December 2019, the gross profit margin increased to approximately 31.5% because of the increase in sales of products under Coolsa brand which generally have a higher gross profit margin. For the eight months ended 31 August 2020, the gross profit margin decreased from approximately 32.3% for the eight months ended 31 August 2019 to 31.5% mainly due to the drop of sale volume under the outbreak of the COVID-19 while we still incurred certain fixed components of cost of sales such as depreciation expenses of machinery and production staff cost.

Net profit margin

Our net profit margin was approximately 13.0%, 10.2% and 10.4% for the years ended 31 December 2017, 2018 and 2019, respectively. The higher net profit margin for the year ended 31 December 2017 was mainly because of the receipt of the one-off government grant for the land expropriation of approximately RMB13.6 million granted to our Group. Our net profit margin was approximately 10.4% for the year ended 31 December 2019. The net profit margin has increased from approximately 9.7% for the eight months ended 31 August 2019 to approximately 10.9% for the eight months ended 31 August 2020 due to the lesser Listing expenses incurred during the period.

Return on equity

Our return on equity was approximately 21.5%, 22.4% and 20.0% for the years ended 31 December 2017, 2018 and 2019, respectively. The return on equity increased for the year ended 31 December 2017 mainly due to an increase in the net profit attributable to the owners of our Company of approximately 46.8% and partially offset by an increase in the equity of our Group of approximately 31.6%. The return on equity further increased to approximately 22.4% for the year ended 31 December 2018 mainly as a result of the combined effects of the drop of net profit for the year ended 31 December 2018 by approximately 16.7% due to the Listing expenses incurred as well as the absence of the non-recurring government grant and the decrease in total equity by approximately 20.0% due to the effect of reorganisation. Our return on equity decreased to 20.0% for the year ended 31 December 2019 as the increase in equity is larger than the increase in net profit.

Return on total asset

Return on total asset was approximately 9.4% 8.6% and 8.8% for the years ended 31 December 2017, 2018 and 2019. The return on total asset increased to approximately 9.4% for the year ended 31 December 2017 mainly due to an increase in the net profit attributable to the owners of our Company of approximately 46.8% and partially offset by an increase in the total asset of our Group of approximately

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27.2%. The return on total asset of our Group decreased to approximately 8.6% for the year ended 31 December 2018 mainly due to the increase in (i) property, plant and equipment of approximately RMB45.1 million; (ii) prepaid lease payment of approximately RMB14.4 million; and (iii) the decrease of net profit attributable to the owners of our Company of approximately 16.7%. Our return on total asset remained at approximately 8.8% for the year ended 31 December 2019.

Current ratio and quick ratio

Our current ratio and quick ratio remained relatively stable at approximately 1.1 times, 0.8 times, 0.8 times and 0.9 times and approximately 0.9 times, 0.5 times 0.6 times and 0.6 times as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively.

Gearing ratio and net debt to equity ratio

Our gearing ratio increased from approximately 1.1 times as at 31 December 2017 to approximately 1.3 times as at 31 December 2018 mainly attributable to the decrease in the total equity of approximately RMB43.0 million after the effect of Reorganisation. Our gearing ratio decreased to approximately 1.1 times as at 31 December 2019 mainly attributable to increase in total equity as a result of the net profit for the year. Our gearing ratio decreased to approximately 0.9 times as at 31 August 2020 due to the decrease in bank borrowings and bills payable.

Similar to the gearing ratio, our net debt to equity ratio remained relatively stable at approximately 0.9 times as at 31 December 2017 due to the combined effect of the increase in bank borrowings and bills payables and the earning during the years. Our net debt to equity ratio increased to approximately 1.1 times as at 31 December 2018 mainly attributable to the decrease in the total equity of approximately RMB43.0 million after the effect of Reorganisation. Our net debt to equity ratio decrease to approximately 0.9 times as at 31 December 2019 due to the increase in equity as a result of the profit during the year. Our debt to equity ratio remained at approximately 0.8 times as at 31 August 2020.

Interest coverage

Our Group recorded an interest coverage of approximately 6.3 times, 4.9 times, 5.1 times and 4.8 times for the years ended 31 December 2017, 2018, 2019 and 31 August 2020, respectively. The increase in interest coverage for the year ended 31 December 2017 was mainly attributable to the increase in our gross profit during the year and the non-recurring government grant for the land expropriation. For the year ended 31 December 2018, the interest coverage ratio decreased to 4.9 times which was mainly attributable to the increase in finance cost of approximately RMB1.7 million and the decrease in profit before interest and tax of approximately RMB7.0 million primarily as a result of (i) the decrease in government grants received of approximately RMB10.9 million; and (ii) the Listing expenses incurred of approximately RMB4.0 million. The interest coverage for the year ended 31 December 2019 increased to approximately 5.1 times as a result of increased in profit before tax during the year. Our interest coverage then decreased to approximately 4.8 times for the eight months ended 31 August 2020 mainly due to the decrease in revenue during the period.

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QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, which include market risk (including currency risk and interest risk), credit risk and liquidity risk. We monitor and manage such financial risks through internal risks report which analyses exposure by degree and magnitude of risk.

Details of such risk are set out in note 34 to the accountants' report in Appendix I to this prospectus for further details regarding our financial risks.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in note 32 to the accountants' report in Appendix I to this prospectus. Our directors are of the view that the related party transactions were conducted at arm's length and on normal commercial terms and/or that such terms were no less favourable to us than terms available from Independent Third Parties which are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

During the Track Record Period, we had certain related party transactions in our ordinary course of business, including (i) receiving unlimited personal guarantee from Mr. Zheng Guosi, Mr. Zheng Zhenhong, Mr. Zheng Guodian and their spouses to secure our banking facilities amounted to approximately RMB189.0 million, RMB225.0 million, RMB33.5 million and RMB33.5 million for the three years ended 31 December 2019 and the eight months ended 31 August 2020, respectively, all of which are expected to be replaced by corporate guarantee of our Company upon Listing; (ii) provision of compensation to key management for employee services amounted to approximately RMB0.7 million, approximately RMB0.7 million, approximately RMB0.8 million and approximately RMB0.5 million for the years ended 31 December 2017, 2018, 2019 and eight months ended 31 August 2020, respectively; and (iii) our revenue generated from the sales to Gary & Bros Confectionary which was owned as to 15% by Mr. Zheng Guosi until December 2018, amounted to approximately RMB78.8 million, RMB95.8 million, RMB98.7 million and RMB47.5 million, for the three years ended 31 December 2017, 2018, 2019 and eight months ended 31 August 2020, respectively. Our Directors are of the view that each of the above related party transactions were conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties.

DIVIDEND

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. For the year ended 31 December 2018, Jiujiuwang Food, the principal operating subsidiary of our Group, declared and paid

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intra-group dividend of RMB80 million to Coolsa Food. Our dividend distribution record in the past may not be used as reference or basis to determine the level of dividend which may be declared or paid by our Company in the future.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGES

Our business operation remained stable after the Track Record Period and up to the date of this prospectus. There was no material change to our general business model and the economic environment remained generally stable up to the date of this prospectus, save as disclosed herein.

Outbreak of the COVID-19

Since the outbreak of the epidemic caused by the COVID-19, major cities in the PRC have taken emergency public health measures including travel restrictions to control the COVID-19 epidemic. Local authority in Fujian Province required enterprises to delay the resumption of work from the Chinese Lunar New Year in 2020 to not earlier than the mid-night of 9 February 2020. Our Group has resumed normal production level in early March 2020. Our Group has implemented various measures in response to the COVID-19 epidemic. For details, please refer to the section headed “Business — Occupational safety and health” in this prospectus. In light of the COVID-19 epidemic and the travel and traffic restrictions, the sales of our products to OEM customers decreased for the eight months ended 31 August 2020, particularly, for the first half of 2020, which would have an adverse impact on our operation and financial performance.

Our Directors confirm that as at the date of this prospectus, there had been no material impact on the supply of products and/or raw materials to our Group, due to the outbreak of COVID-19.

In view of the outbreak of the COVID-19, our Directors have considered the following business contingency plans which will be implemented in case we encounter substantial cancellations of sales orders or supply chain disruption:

- maintain minimal necessary employees to support our operations by placing our non-essential staff on unpaid leave; and
- maintain more than one supplier for our major products and/or raw materials.

Assuming the worst case scenario of the outbreak of the COVID-19, in which we:

- cease all operations from December 2020 onward, which assumes that from December 2020 onward, we will not earn or incur (a) any revenue and costs in relation to sales activities, (b) the majority of expenses in relation to marketing activities, (c) the majority of expenses in relation to the production of products, and (d) expenses in relation to research and development activities;
- keep all of our necessary staff and make all their salary payments;
- settle all of our outstanding trade payables as of 31 December 2020;
- estimate the settlement of trade receivables on a prudent basis by taking into account our historical settlement patterns;

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- use approximately 7.1% of the net proceeds from the Global Offering as our working capital;
- settle expenses on plans of expansion of production and advertising to be funded by our internal resources as detailed in the section headed “Future plans and use of proceeds”;
- sell all of our inventories as of 31 December 2020; and
- use our cash and bank balances and unutilised bank facilities when needed, which was in aggregated amounted to approximately RMB101.4 million as of 31 December 2020;

given that our burn rate which represents all fixed and necessary costs for our Group to survive under minimal operation is approximately RMB1.9 million per month, our Directors are of the view that we would have sufficient cashflow for our business to remain financially viable for the next 12 months from February 2021, which includes, but is not limited to the timely payment as the following:

- essential employees’ salary payments;
- trade payables;
- expenses on expansion of production and advertising; and
- repayment of bank borrowings.

In addition to the abovementioned contingency plans, worst case scenario analysis and work place preventive measures, our Directors have critically assessed the impact of the outbreak of the COVID-19 on the business of our Group from the following perspectives, being (i) geographical operations; (ii) customers; and (iii) suppliers:

Geographical operations

During the Track Record Period, our Group only operated one manufacturing plant in the PRC and approximately 84.4%, 83.7%, 88.2% and 91.7% of our total revenue, respectively, were contributed by local customers in the PRC for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020, respectively. Therefore, our Group’s operation is largely dependent on the PRC. As at the Latest Practicable Date and based on publicly available information, gradual resumption of business over the country is allowed by the PRC government. Our Directors are of the view that the possibility of sharp escalation in the number of confirmed cases in the PRC is very low, and that unless such sharp escalation occurred, our Group’s operations will not be materially affected. As at the Latest Practicable Date, none of our employees reported symptoms of being infected with the COVID-19.

Customers

Since over 80% of our revenue is consistently contributed by customers in the PRC over the Track Record Period, our Directors are of the view that the outbreak has no material impact on our major market. Up to the Latest Practicable Date, our Group had not experienced any cancellation of sales orders due to the COVID-19 outbreak. We recorded a decrease in revenue for the eight months ended 31 August 2020 as compared with the corresponding period in 2019 based on the unaudited management accounts, but our Directors are of the view that business will pick up gradually. Moreover, the revenue

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generated from recurring customers that we have maintained a relationship with throughout the Track Record Period made up approximately 70.4%, 78.9%, 85.2% and 83.0% of our revenue for the years ended 31 December 2017, 2018, 2019 and the eight months ended 31 August 2020, respectively. Our Directors are of the view that, with our stable business relationships with major OEM customers and distributors, even if we are forced to suspend any face-to-face contact with new potential customers in recent months, we would still be able to solicit sales from existing customers through phone calls and/or emails. As at the Latest Practicable Date, we did not encounter any delay in delivery to our customers and we have not received any indication or notification from any of our customers of their intention to cancel or reduce their order size as a result of the COVID-19 outbreak in all material respects.

Suppliers

During the Track Record Period, we generally procured raw materials from over 60 suppliers in the PRC. As at the Latest Practicable Date, based on our Directors' best knowledge and understanding, goods and cargo are not subject to restriction and our Group did not encounter any significant delay in delivery from our suppliers due to the COVID-19 outbreak. Since the outbreak, our Group has also placed orders with our suppliers as usual and goods were duly delivered and received as at the Latest Practicable Date. There had been no cancellation of purchase order by our suppliers that may cast doubt on their ability to offer stable supply. Accordingly, our Directors are of the view that the COVID-19 outbreak has a limited impact on our supply chain.

Having considered that (i) our operation is based in Jinjiang, Fujian Province the PRC, which is not subject to large scale outbreak of the COVID-19 up to the Latest Practicable Date; (ii) our operation suffered limited impact during the outbreak of the COVID-19; (iii) none of our employees reported symptoms of being infected with the COVID-19 up to the Latest Practicable Date; (iv) our production has fully resumed; (v) we had not experienced any cancellation of sales orders and/or delay in delivery due to the COVID-19 outbreak; (vi) we are able to solicit sales from existing customers through phone calls and/or emails; (vii) we were informed by our major suppliers that they remain normal operations; and (viii) we had not experienced any cancellation of purchase orders and/or delay in delivery due to the COVID-19 outbreak, our Directors are of the view that the impact of the outbreak of the COVID-19 has no material impact on our business operations and financial performance is not significant.

Although there was a drop in the revenue and net profit for the eight months ended 31 August 2020, our Directors consider that the sales of our products can largely recover afterwards after having considered that (i) we recorded a higher revenue in September and October 2020 as compared to that in September and October 2019, (ii) our average utilisation rate reached approximately 104.4% and 86.8% for September and October 2020, respectively, (iii) as stated in the section headed "Industry overview" in this prospectus, Frost & Sullivan considered that the outbreak of the COVID-19 will only have short term effect, and will not change the overall positive prospect of the industry as indicated by the increasing expected market size of sugar confectionery retail market by sales value in the PRC from 2013 to 2022, and (iv) the confirmed purchase orders for the year ending 31 December 2020 received up to the Latest Practicable Date (i.e. 17 February 2021) has increased when compared to that as at 17 February 2020 for the year ended 31 December 2020.

FINANCIAL INFORMATION

We have implemented additional precautionary measures to maintain a hygienic working environment. For details, please refer to the section headed “Business — Occupational safety and health — Precautionary measures to maintain a hygienic working environment” in this prospectus. To implement these measures, we have incurred expenses amounted to approximately RMB0.4 million since the outbreak of the COVID-19 and up to the Latest Practicable Date.

Our executive Directors will continue to assess the impact of the COVID-19 epidemic on our business, result of operations and financial performance and closely monitor our exposure to the risks and uncertainties in connection with the COVID-19 epidemic.

Other updates

Our revenue for the eight months ended 31 August 2020 was lower than that for the corresponding period in 2019. Our gross profit margin for the eight months ended 31 August 2020 was lower to that of the corresponding period in 2019. The net profit of our Group for the year ended 31 December 2020 is expected to be adversely affected by the expected increase in the administrative expenses primarily attributable to the non-recurring Listing expenses and the expected decrease in revenue.

In order to increase our production capacity to cope with customers’ demand, we installed various machines for a new production line for manufacture of jelly candies as a new category of our products. To facilitate the expansion of our production facilities, construction of a new factory building at our factory premises was carried out and has been completed and we have obtained the necessary property ownership certificate of the building in March 2019. We carried out testing of the production line in May 2019 and completed trial production in August 2019 and commercial production commenced in September 2019. We believe that our future success, in part, depends on our ability to enhance our production capabilities. Therefore, we plan to increase the number of our production lines for existing products (i.e. gum-based candies and tablet candies) having considered, among others, the high utilisation rates of our existing production lines for manufacture of gum-based candies and tablet candies during the Track Record Period. We plan to build a new factory building for housing these new production lines due to limited space. It is expected that construction work of the new factory building will commence in or around March 2021 and will complete in or around March 2022, tentatively. Furthermore, due to natural ageing of machines and to improve our production and operation efficiency, we purchase new machines to replace some of our machines and equipment of our existing production lines from time to time. The capital commitment of our Group as at the Latest Practicable Date was approximately RMB15.0 million in relation to replacement of machines in our existing production lines. Given that the cash and cash equivalents of the Company as at 31 December 2020 only amounted to approximately RMB28.5 million, the Directors plan to apply part of the net proceeds from the Global Offering to settle the capital commitment. Please refer to the section headed “Business — Production — Our production facilities” for further details.

We acquired another parcel of land in Jinjiang City in December 2017. We intend to build new factory buildings for expansion of our production facilities and capacities in the future. The new factory for housing the new production lines for manufacturing our existing products (being gum-based candies and tablet candies) will be located on that parcel of land. The construction work of the new factory shall commence in June 2020 in accordance to the supplemental contract dated 15 June 2020 entered between Jiujiuwang Food and a construction company. In view of the recent market outlook, the Company is in the process to discuss with the State-Owned Land Resources Bureau of Jinjiang City of Fujian Province*

FINANCIAL INFORMATION

(福建省晉江市國土資源局) to further delay the commencement date of the construction work. The construction for the supply of water, electricity and gas and the provision of telecommunication facilities and road access as well as the levelling of the ground on the construction site commenced in June 2020 and shall be completed by March 2021 in accordance to a further supplemental contract dated 30 October 2020. It is expected that the formal construction work would commence in or around March 2021 and the construction work will be completed in or around March 2022, tentatively, subject to the receipt of necessary licences, permits or approvals from relative authorities relating to the construction work and the construction work progress which may be beyond our control. For further information, please refer to the section headed “Business — Our business strategies — Our production base is scaled and well-equipped for automated manufacturing of confectionary products” in this prospectus.

Our Directors consider that, save for the expenses in connection with the Listing and the capital expenditure for the completion of the construction in progress, which are non-recurring in nature, and the impact of the COVID-19, there is no material adverse change in the financial or trading position or prospects of our Group since 31 August 2020 and up to the date of this prospectus and there has been no event since 31 August 2020 which would materially affect the information shown in the accountants’ report in Appendix I to this prospectus.

LISTING EXPENSES

The total Listing expenses in relation to the Global Offering, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RMB56.3 million (equivalent to approximately HK\$67.8 million) (based on the mid-point of the indicative Offer Price range of HK\$0.70 per Offer Share). For illustrative purpose, the Listing expenses are estimated to be approximately RMB54.9 million to approximately RMB57.7 million (equivalent to approximately HK\$66.1 million to approximately HK\$69.5 million) (based on the low-end of the indicative Offer Price range of HK\$0.65 and the high-end of the indicative Offer Price range of HK\$0.75 per Offer Share), representing approximately 51.4% and 46.8% of gross proceeds, respectively.

Among the estimated total Listing fees, (i) approximately RMB27.9 million (equivalent to approximately HK\$33.6 million) is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately RMB28.4 million (equivalent to approximately HK\$34.2 million) will be recorded as expenses in the consolidated statement of profit or loss and other comprehensive income, of which approximately RMB4.0 million (equivalent to approximately HK\$4.8 million), approximately RMB7.4 million (equivalent to approximately HK\$8.9 million) and approximately RMB1.1 million (equivalent to approximately HK\$1.3 million) had been recognised for the year ended 31 December 2018, 2019 and the eight months ended 31 August 2020, respectively, and the remaining amount of approximately RMB15.9 million (equivalent to approximately HK\$19.2 million) is expected to be recognised for the year ending 31 December 2021, which mainly consists of professional fees and other expenses that would be incurred upon Listing.

Our Directors would like to emphasise that the Listing expenses above are current estimates and are for reference only. The actual amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2021 is subject to adjustment based on audit and the then changes in variables and assumptions and may differ from this estimate.

FINANCIAL INFORMATION

Prospective investors should note that the financial performance of our Group for the year ending 31 December 2021 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

DISTRIBUTABLE RESERVES

As at 31 August 2020, our Group had retained earnings of RMB212.1 million available for distribution to our Shareholders. Our Company had no reserves available for distribution to our Shareholders as at 31 August 2020.

PROPERTY INTEREST

As at the Latest Practicable Date, we owned two properties in Fujian Province, the PRC. Pursuant to Rules 5.01A and 5.01B of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) is or is above 15% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the prospectus must include the full text of a valuation report for such property interest. As at 31 August 2020, being the date of which the most recent audited consolidated statements of the financial position of our Group, the carrying amount of our owned properties exceeds 15% of our total assets. Thus, a property valuation report in respect of our owned properties is included in this prospectus. For further details of our owned properties, please refer to the Property Valuation Report issued by Colliers International (Hong Kong) Limited, as set out in the Appendix IV to this prospectus.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

The value of our property interest in the PRC has been valued by Colliers International (Hong Kong) Limited, an independent valuer. The full text of the Property Valuation Report in connection with the valuation of the aforesaid properties as at 31 January 2021 is set out in Appendix IV to this prospectus.

FINANCIAL INFORMATION

The table below shows the reconciliation of the properties from 31 August 2020, being the date to which our Group's latest audited combined/consolidated financial results were prepared, to 31 January 2021.

	<i>RMB'000</i>
Net book value of the property interests of our Group as of 31 August 2020 (audited):	
Buildings included in property, plant and equipment	119,897
Right-of-use assets	23,599
Construction-in-progress in relation to buildings	<u>15,692</u>
	159,188
Movement during the period from 1 September 2020 to 31 January 2021 (unaudited)	
Add: Additions of construction-in-progress in relation to buildings	3,796
Less: Depreciations	<u>(1,937)</u>
Net book value of the property interests of our Group as of 31 January 2021	161,047
Valuation surplus	<u>48,253</u>
Valuation of the relevant properties as at 31 January 2021 as set forth in the Property Valuation Report included in Appendix IV to this prospectus	<u><u>209,300</u></u>

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus for our unaudited pro forma adjusted net tangible assets.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business — Our business strategies” in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$70.8 million (equivalent to approximately RMB58.8 million) from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated Listing expenses payable by us and assuming the initial Offer Price of HK\$0.70 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus.

	For the year ending 31 December			Total HK\$ million	Approximate percentage of net proceeds
	2021 HK\$ million	2022 HK\$ million	2023 HK\$ million		%
Expansion of production capacities					
— Purchase of new production lines	9.6	—	—	9.6	13.6
— Building of new factory	16.2	8.7	1.6	26.5	37.4
Subtotal	25.8	8.7	1.6	36.1	51.0
Replacement of machines in existing production lines	18.1	—	—	18.1	25.5
Partial repayment of bank loans	5.6	—	—	5.6	7.9
Enhancement of marketing efforts	6.0	—	—	6.0	8.5
General working capital	5.0	—	—	5.0	7.1
Total	60.5	8.7	1.6	70.8	100.0

We currently intend to apply the net proceeds from the Global Offering in the expansion of our business, details of which are set out below:

Expansion of production capacities

- approximately HK\$9.6 million (equivalent to RMB8.0 million), representing approximately 13.6% of the net proceeds from the Global Offering will be used for purchase of new production lines. We intend to introduce six new production lines for manufacture of gum-based candies and three new production lines for manufacture of tablet candies by September 2022. It is estimated that the purchase costs of the new production lines will amount to RMB33.5 million, of which RMB15.5 million and 18.0 million are expected to be incurred in each of the years ending 31 December 2021

FUTURE PLANS AND USE OF PROCEEDS

and 2022, respectively. The remaining balance of the purchase costs will be funded by our internal resources, including our cash and cash equivalents and net cash inflow from operating activities, and/or debt or equity financing.

- approximately HK\$26.5 million (equivalent to RMB22.0 million), representing approximately 37.4% of the net proceeds from the Global Offering will be used to finance the costs of construction of the new factory building for housing the aforementioned new production lines intended to be purchased, which could not be fitted in our existing factory buildings due to limited space. It is estimated that the costs of construction will amount to RMB27.0 million, of which approximately RMB13.5 million, RMB12.2 million and RMB1.3 million is expected to be incurred in each of the years ending 31 December 2021, 2022 and 2023, respectively.

Replacement of machines in our existing production lines

- approximately HK\$18.1 million (equivalent to RMB15.0 million), representing 25.5% of the net proceeds from the Global Offering will be used to purchase new equipment and machines for replacement of existing machines and equipment, which have been fully depreciated, by 30 June 2020. It is expected that 257 machines and equipment, representing approximately 35.7% of the total number of our machines and equipment of an aggregate net value of approximately RMB1.8 million as at 31 August 2020 have been or will be fully depreciated by 31 October 2020. The total purchase costs of new equipment and machines is approximately HK\$38.6 million (equivalent to RMB32.0 million). As at the Latest Practicable Date, we have settled the partial payment of the purchase cost of RMB17.0 million (equivalent to approximately HK\$20.5 million) by using our internal resources. The remaining purchase cost of approximately HK\$18.1 million (equivalent to RMB15.0 million) is expected to be incurred in the year ending 31 December 2021 and will be funded by the net proceeds from the Global Offering.

Partial repayment of bank loans

- approximately HK\$5.6 million (equivalent to approximately RMB4.6 million), representing 7.9% of the net proceeds from the Global Offering will be used to partially repay bank loan of RMB11.0 million. In July 2020, Jiujiuwang Food entered into a loan agreement with one of its principal banks for loan facility of up to RMB11.0 million with interest at a fixed rate of 6.09% per annum. The purpose of the loan facility was for purchase of raw materials by Jiujiuwang Food. The maturity date of the loan agreement fall within July 2021. As at 31 December 2020, being the latest practicable date for the purpose of determining our indebtedness, we had outstanding bank borrowings of approximately RMB218.9 million. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, the effective interest rate of the bank borrowings was approximately 5.66–8.40%, 5.22–7.80%, 5.00–7.80% and 5.00–7.50%, respectively. Our Directors consider that partial repayment of bank loans with proceeds could reduce the financial burden and interest expenses of our Group. For further information, please refer to the section headed “Financial information — Indebtedness — Bank borrowings and bills payable” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Enhancement of marketing efforts

- approximately HK\$6.0 million (equivalent to RMB5.0 million), representing 8.5% of the net proceeds from the Global Offering will be used as advertising and marketing expenses. We intend to engage a marketing firm, which is an Independent Third Party, for promotion of our brands to strengthen our market position in the confectionary industry in the PRC and enhance our brand recognition and awareness. The estimated service fee of the marketing firm will be approximately HK\$14.5 million (equivalent to RMB12.0 million). Our source of funding comprises approximately HK\$6.0 million (equivalent to RMB5.0 million) from the net proceeds from the Global Offering and the remaining from bank borrowings or internal resources of our Group, including our cash and cash equivalents and net cash inflow from operating activities.

General working capital

- the remaining balance of approximately HK\$5.0 million (equivalent to approximately RMB4.2 million), representing 7.1% of the net proceeds from the Global Offering will be used for additional working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.75 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Global Offering will increase by approximately HK\$8.2 million (equivalent to approximately RMB6.8 million). We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Global Offering is set at the low-end of the indicative Offer Price range, being HK\$0.65 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Global Offering will decrease by approximately HK\$8.2 million (equivalent to approximately RMB6.8 million). We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$17.3 million (equivalent to approximately RMB14.3 million), assuming an Offer Price of HK\$0.70 per Share, being the midpoint of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at the high-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will be approximately HK\$18.5 million (equivalent to approximately RMB15.3 million). If the Offer Price is set at the low-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will be approximately HK\$16.0 million (equivalent to approximately RMB13.3 million). In the event the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds for the above purposes in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licenced banks in the PRC or Hong Kong.

We will issue an announcement in the event that there is any material change in the use of proceeds from the Global Offering as set out above.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING ON THE STOCK EXCHANGE

We believe that the Listing represents an important step to implement our business strategies. Our Group relies on our internal funding, cash generated from our operation and bank borrowings for our existing operations. We believe that the net proceeds from the Global Offering are necessary for the implementation of our business strategies and future plans which requires considerable additional financial resources. Our Directors believe that our Group and our Shareholders will benefit as a whole from the Listing for the following reasons:

Funding needs for the implementation of our business strategies and future plans

- As at the Latest Practicable Date, we had 32 production lines. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, the utilisation rate for the production of our products remained high at approximately 99.8%, 92.1%, 89.7% and 72.6%, respectively. In certain months leading to holiday and festive seasons, our production facilities were fully utilised and failed to meet all sales demand. To cope with the growing demand for our products, we have to expand our production capacity by increasing the number of production lines and upgrading machines of our existing production lines. We intend to use approximately HK\$111.4 million (equivalent to RMB92.5 million), out of which approximately HK\$54.2 million (equivalent to RMB45.0 million) will be settled by net proceeds while approximately HK\$57.2 million (equivalent to RMB47.5 million) will be settled by internal resources, for the expansion of production capacities and replacement of machines in our existing production lines.
- Our Group recorded net current liabilities of approximately RMB17.0 million as at 31 August 2020. The net current liabilities position of the Group for the eight months ended 31 August 2020 which was mainly attributable to the combined effect of (i) the increase in prepayments to our suppliers of approximately RMB23.7 million to reserve more raw materials for production to satisfy orders from customers in the future; (ii) the decrease in trade payables of approximately RMB14.1 million due to the settlement of our trade payables; and (iii) the decrease in the bank borrowings and bills payables of approximately RMB9.0 million primarily after the repayments with our internal generated funds.
- The aggregate amount of our cost of sales, selling expenses, administrative expenses and finance cost for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020 amounted to approximately RMB307.2 million, RMB331.5 million, RMB355.1 million and RMB203.7 million, respectively, which translates into a theoretical average monthly costs and expenses of approximately RMB25.6 million, RMB27.6 million, RMB29.6 million and RMB25.5 million, respectively. For illustrative purpose and on the above basis of the theoretical average monthly costs and expenses, our cash and cash equivalents which amounted to approximately RMB33.6 million, RMB43.4 million, RMB37.7 million and RMB22.3 million as at 31 December 2017, 2018 and 2019 and the 31 August 2020 were only sufficient for approximately 1.3, 1.6, 1.3 and 0.9 months of our operations for the respective years. Based on the above theoretical monthly costs and expenses for the eight months ended 31 August 2020, our Directors are of the view that an estimated minimum monthly working capital of RMB25.5 million is required in order to support our existing scale of operations.

FUTURE PLANS AND USE OF PROCEEDS

- Therefore, external fund is required in order to implement our business strategies and future plans as set out in this prospectus and to maintain a better cash flow and liquidity position, which is crucial to sustain the business growth of our Group.

Alternative to debt financing

For the purpose of our business expansion and operation, we decided to proceed with the Listing instead of further debt financing due to the following:

- Debt financing may subject us to various covenants which may restrict our ability to pay dividends or obtain additional financing. Besides, our existing banking facilities are generally short term in nature for our working capital purposes and cannot satisfy our long term capital needs for business expansion to increase our production capacity.
- Debt financing would significantly raise the indebtedness level and gearing ratio of our Group, which may adversely affect our financial credibility, liquidity, flexibility and overall financial performance and limit our future ability to obtain further financing from financial institutions to support our daily operations.
- As at 31 August 2020, our bank borrowings was approximately RMB220.9 million, and it is expected that upon applying approximately RMB4.6 million of the proceeds from the Global Offering for partial repayment of our bank loans, such would remain stable after the Listing. If we are to rely on bank borrowings to fund our operation and expansion, in particular, our production capacity, we may need to substantially increase our banking borrowings that require our Shareholders to provide guarantees as security if our Company is not listed and, at the same time, we may have to go through lengthy due diligence review and negotiations with the banks which may hinder our expansion.
- Further, debt financing would expose us to interest rate risk. Uncertain interest rate movement in the future may expose our Group to increasing borrowing costs which may adversely affect our financial performance and liquidity. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, the range of effective interest rate of our bank borrowings was approximately 5.66–8.40%, 5.22–7.80%, 5.00–7.80% and 5.00–7.50%, respectively. For the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, our finance costs representing interest on bank borrowings were approximately RMB11.8 million, RMB13.5 million, RMB14.5 million and RMB9.3 million, respectively.
- We had no finance leases during the Track Record Period. Finance leasing involves a rate of interest embedded in the lease rental, machines and equipment, it would put further financial burden on our Group and would adversely affect our financial results, and it would adversely affect our credibility and capacity to raise further debt financing when it is necessary.
- Accordingly, debt financing including finance leasing would place undue financial burden on our Group in terms of cash flow, indebtedness and liquidity position. In contrast, funds raised through equity financing is a committed source of capital without interest expenses and maturity and may be applied for the implementation of our business strategies and future plans with flexibility.

FUTURE PLANS AND USE OF PROCEEDS

Furthermore, equity financing by way of Global Offering does not only provide us funds but also enhance our corporate profile, market presence, brands awareness and competitiveness without creating long term adverse impact on our profitability.

Reputation and overall size and turnover of shares on the Stock Exchange

- Hong Kong is a compelling listing and fundraising venue in Asia for companies seeking to go public and raise funds. Hong Kong as an international finance centre is the key link for PRC companies to connect with global capital markets. With its respected legal system, adherence to international standards and practices and abundance of professional expertise, Hong Kong is a liquid and world-class market attracting active participation of both institutional and retail investors in the world. For the year ended 31 December 2019, the average daily turnover of shares listed on Main Board and GEM of the Stock Exchange was approximately HK\$87.2 billion (equivalent to approximately RMB72.4 billion). Further, our business operations are principally located, managed and conducted in the PRC and our Group's head office is situated in the PRC. Given its reputation as an international finance centre and high liquidity, we believe that Hong Kong is a venue for our Listing providing us access to the global capital markets and cost effective corporate finance exercises.

- Our Directors believe that following the Listing, our Group will be able to obtain higher bargaining power in negotiating terms with our business partners. In addition, our Directors believe that customers, particularly local and overseas OEM customers, may prefer conducting business with a company listed on the Stock Exchange given its reputation, listing status, public financial disclosures and general regulatory supervision by relevant regulatory bodies. Moreover, we consider that the Listing will enhance our Group's corporate profile, market reputation and brand awareness which will strengthen our customers' confidence in our Group and in turn boost our business.

UNDERWRITING

HONG KONG UNDERWRITERS

Lego Securities Limited
Aristo Securities Limited
China Tonghai Securities Limited
First Fidelity Capital (International) Limited
Seazen Resources Securities Limited
Brilliant Norton Securities Company Limited
Fruit Tree Securities Limited
Grand China Securities Limited
Kirin Securities Limited
Lee Go Securities Limited
MTF Securities Limited
Realord Asia Pacific Securities Limited
Yuzhou Financial Holdings Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to initially offer 19,800,000 Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus (including the Shares to be issued pursuant to the Over-allotment Option) by the Stock Exchange and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. In addition, the Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting the Cayman Islands, BVI, Hong Kong, the PRC or any of the jurisdictions in which our Company operates or has or is deemed by any applicable laws to have a presence (by whatever name called) or any other jurisdiction relevant to our Company (each a “**Relevant Jurisdiction**”); or
 - (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, forward markets, commodity markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a fluctuation of the Hong Kong dollars and/or the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, snowstorms, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation and operations, outbreak of diseases or epidemics including, but not limited to, COVID-19, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9 and such related/mutated forms, economic sanction, withdrawal of trading privileges, cancellation of trade treaties in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or
 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
 - (v) any moratorium, suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange or the Toronto Stock Exchange; or

UNDERWRITING

- (vi) any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (vii) (A) any change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (viii) the issue or requirement to issue by our Company of a supplemental or amendment to this prospectus, Application Forms or other documents in connection with the offer and sale of the Shares pursuant to the Companies (WUMP) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Joint Global Coordinators, adversely affect the marketing for or implementation of the Global Offering; or
- (ix) any litigation or claim being threatened or instigated against our Company or any Director; or
- (x) any change in the development plan of our Company (as described in this prospectus); or
- (xi) any loss or damage sustained by our Company (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xii) any Governmental Authority (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against our Company or any Director; or
- (xiii) any Director or senior management (as named in this prospectus) vacating his office, or any of them being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company or the commencement by any Governmental Authority of any action against any Director or senior management (as named in this prospectus) in his capacity as such or an announcement by any Governmental Authority that it intends to take any such action; or
- (xiv) any demand by creditors for repayment of indebtedness or any indebtedness becoming repayable before its stated maturity or a petition being presented for the winding-up or liquidation of our Company making any composition or arrangement with our creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of our Company or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or anything analogous thereto occurs in respect of our Company; or
- (xv) a prohibition on our Company for whatever reason from offering, allotting or selling the Shares (including the Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering;

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and which, in any such case individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (A) is or will be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of our Company; or
 - (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or will make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
 - (C) makes or will make or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Offer Documents; or
 - (D) would have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in this prospectus, the Application Forms, the Formal Notice (and, in each case, all amendments or supplements thereto) (the "**Hong Kong Offer Documents**"), the post hearing information pack in respect of the Listing and/or any notices, announcements, advertisements, communications 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 or has become untrue, incomplete, incorrect or misleading in any material respect or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Offer Documents, the post hearing information pack in respect of the Listing and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or
 - (ii) any contravention by our Company or any Director of any law which in the sole opinion of the Joint Global Coordinators (i) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for, or (ii) has made or is likely to make or will make it impracticable or inadvisable or incapable, for any material part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged, or to proceed with the Global Offering; or

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- (iii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in the prospectus, constitutes a material omission therefrom; or
- (v) either (A) there has been a material breach of any of the warranties or provisions of the Hong Kong Underwriting Agreement by our Company, our executive Directors or the Controlling Shareholders or (B) any of the warranties is (or would when repeated be) untrue, incorrect, incomplete or misleading in any material respect; or
- (vi) any event, act or omission which gives or is likely to give rise to any liability of our Company, our executive Directors or the Controlling Shareholders pursuant to the indemnities given by our Company, our executive Directors or the Controlling Shareholders under the Hong Kong Underwriting Agreement; or
- (vii) any breach of any of the obligations of our Company, our executive Directors or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (viii) any experts as disclosed in the Hong Kong Offer Documents has withdrawn or subject to withdraw its consent to being named in any of the Hong Kong Offer Documents or to the issue of any of the Hong Kong Offer Documents; or
- (ix) any material adverse change or material prospective adverse change or development involving a prospective material adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of our Company; or
- (x) our Company has withdrawn this prospectus or the Global Offering,

then the Joint Global Coordinators may (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

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Lock-up Undertakings to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken with each of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that, and each of the Controlling Shareholders has further undertaken with each of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) to procure that:

- (a) except for the issue of the Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) or as otherwise with the Joint Global Coordinators' prior written consent and unless in compliance with the Listing Rules, our Company will not at any time during the period commencing on the date by reference to which disclosures of the shareholdings of the Controlling Shareholders are made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"):
 - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or other securities of our Company or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); 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 of such share capital, debt capital or other securities or interest therein as described in paragraph (i) above; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction described in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

- (b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any interest therein by virtue of the aforesaid exceptions or during the six-month period commencing from the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

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Undertaking by the Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to each of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that:

- (a) it/he will not, and will procure that the relevant registered holder(s) and its/his associates and companies controlled by it/him and any nominee or trustee holding in trust for it/him will not, without the Joint Global Coordinators' prior written consent and unless in compliance with the Listing Rules, at any time during the First Six-Month Period:
 - (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein) beneficially owned by it/him as at the Listing Date;
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein as described in (i) above;
 - (iii) enter into any transaction with the same economic effect as any transaction referred to in paragraph (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction referred to in paragraph (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise;

- (b) it/he will not, and will procure that the relevant registered holder(s) and its/his associates and companies controlled by its/his and any nominee or trustee holding in trust for it/him will not, at any time during the Second Six-Month Period, enter into any of the foregoing transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he will cease to be a controlling shareholder (as such term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as such term is defined in the Listing Rules) of our Company;

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- (c) until expiry of the Second Six-Month Period, in the event that it/he enters into any such transactions or offer agrees or contracts to or publicly announces an intention to enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above by virtue of the aforesaid exceptions, it/he will take all reasonable steps to ensure that such action not create a disorderly or false market in the Shares or other securities of our Company; and
- (d) comply with the requirements of Rule 10.07(1) and Notes (1), (2) and (3) to Rule 10.07(2) of the Listing Rules, to procure that our Company will comply with the requirements under Note (3) of Rule 10.07(2) of the Listing Rules, and comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/him or by the registered holder controlled by it/him and its/his close associates and companies controlled by it/him of any Shares or other securities of our Company.

Each of the Controlling Shareholders has further jointly and severally undertaken to each of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling twelve (12) months from the Listing Date, it will:

- (A) when it/he pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which it/he is the beneficial owner, immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing of any such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
- (B) when it/he receives any indication, whether verbal or written, from any such pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators (for themselves and on behalf of all the Hong Kong Underwriters) and the Stock Exchange in writing of any such indication.

Undertakings by our Company and the Controlling Shareholders

Our Company has undertaken to the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), and each of the Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that it/he will procure our Company to, inform the Stock Exchange as soon as our Company has been informed of the matters mentioned in paragraph (A) or (B) above, and to make a public disclosure of such matters as soon as possible thereafter in accordance with the Listing Rules.

Lock-up Undertakings to the Stock Exchange

Undertakings of no further issue of Shares pursuant to Rule 10.08 of the Listing Rules

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option and the Share Option Scheme, no further Shares or securities convertible into equity securities of our Company (whether or not of a

UNDERWRITING

class already listed) will 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 in certain circumstances permitted by Rule 10.08 of the Listing Rules.

Undertakings of non-disposal of Shares pursuant to Rule 10.07 of the Listing Rules

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders, jointly and severally undertakes to each of our Company and the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option and the stock borrowing arrangement under the Stock Borrowing Agreement, each of them shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan) in respect of, any of the Shares in respect of which he/it is shown in this prospectus to be the beneficial owner(s); and
- (b) in the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan) in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders further jointly and severally undertakes to each of our Company and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and
- (b) when he/it receives any 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.

Our Company shall inform the Stock Exchange as soon as we have been informed of any of the matters referred to above (if any) by the Controlling Shareholders and 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.

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International Placing

In connection with the International Placing, it is expected that our Company, will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing. Our Company is expected to grant to the Joint Global Coordinators the Over-allotment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offering to require our Company to allot and issue up to an aggregate of 29,700,000 additional Shares, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Placing to cover, over-allocations in the International Placing, if any, and/or the obligations of the Stabilising Manager to return Shares which it may borrow under the Stock Borrowing Agreement.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Commissions and Expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 14.0% of the aggregate Offer Price payable in respect of all of the Hong Kong Public Offer Shares (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Public Offer Shares reallocated to the International Placing). For unsubscribed Hong Kong Public Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). In respect of the International Placing, we expect to pay an underwriting commission of 14.0% of the aggregate Offer Price payable in respect of all of the International Placing Shares (including any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Public Offer Shares reallocated to the International Placing). In addition, the Underwriters may receive a discretionary incentive fee of up to 3.0% of the aggregate of the sales proceeds of the Offer Shares under the Global Offering (including pursuant to the exercise of the Over-allotment Option).

The underwriting commission and incentive fee, listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$0.70 (being the mid-point of the indicative Offer Price range), are estimated to amount to approximately HK\$67.8 million in total (assuming that the Over-allotment Option is not being exercised), and are payable by our Company.

The commissions and fees were determined after arm's length negotiation between the Company, the Hong Kong Underwriters or other parties by reference to current market conditions.

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SOLE SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Sponsor will receive a sponsor fee. The Joint Global Coordinators, the Joint Bookrunners the Joint Lead Managers and other Underwriters will receive an underwriting commission and/or incentive fee. Particulars of such underwriting commission and expenses are set out in the paragraph headed "Underwriting arrangements and expenses — Commissions and expenses" in this section.

Our Company has appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of our Company nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in our Company nor any interest in the Global Offering.

INDEPENDENCE OF THE SOLE SPONSOR

Lego Corporate Finance Limited satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offering. A total of initially 198,000,000 Offer Shares will be made available under the Global Offering, of which 178,200,000 International Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 19,800,000 Hong Kong Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Hong Kong Public Offering. The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Public Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will severally underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but may not do both. The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation as described in the paragraph headed “Pricing and allocation” in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$0.75 per Offer Share and is expected to be not less than HK\$0.65 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. 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.

Price payable on application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$0.75 per Hong Kong Public Offer Share plus 1.0% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,787.79 per board lot of 5,000 Shares. Each Application Form includes a table showing the exact amount payable on certain multiples of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.75, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

Please see the section headed “How to apply for Hong Kong Public Offer Shares — 13. Refund of application monies” in this prospectus for details.

STRUCTURE OF THE GLOBAL OFFERING

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing 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 around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Friday, 5 March 2021 or such other date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may agree, and in any event, no later than Monday, 8 March 2021.

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, 8 March 2021, the Global Offering will not proceed and will lapse.

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 (for themselves and on behalf of the Underwriters) considers it appropriate and together with the consent of our Company, the indicative Offer Price range and/or the number of Offer Shares 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, cause to be made by our Company on the websites of our Company at www.jiujiuwang.com and the Stock Exchange at www.hkexnews.hk notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. 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.

As soon as practicable after such reduction in the number of Offer Shares and/or of the Offer Price range, we will (a) issue a supplemental prospectus informing potential investors of, among other things, the changes to the Global Offering, including the change in the Offer Price and period of the Hong Kong Public Offering and the impact of such change on the sufficiency of working capital and use of proceeds; and (b) extend the offer period to allow potential investors to have sufficient time to consider and to confirm their applications under an opt-in approach, that is, to positively confirm their

STRUCTURE OF THE GLOBAL OFFERING

applications for the Global Offering in light of the change in the Offer Price. In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Sole Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range indicated in this prospectus.

In the event of a reduction in the number of the 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 Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Global Coordinators. If the number of Offer Shares and/or the Offer Price range is reduced, applicants 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 the Hong Kong Public 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.

Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, 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, and/or hold or sell the Offer Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of 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 Public Offer Shares validly applied for by applicants. The allocation of Hong Kong Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the basis of allocations of the Hong Kong Public Offer Shares are expected to be announced on Monday, 15 March 2021 on the websites of our Company at www.jiujiuwang.com and the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving electronic application instructions to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service at www.eipo.com.hk, will be made available through a variety of channels as described in the section headed “How to apply for Hong Kong Public Offer Shares — 11. Publication of results” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among other things:

- the Stock Exchange granting the approval for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including the Shares to be issued pursuant to the Over-allotment Option and any options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or before the Price Determination Date;
- the execution and delivery of the International Underwriting Agreement on or before the Price Determination Date; and
- the obligations of the Underwriters under each of the International Underwriting Agreement and the Hong Kong Underwriting Agreement becoming, and continuing to be, unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among 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 dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be announced by our Company on the websites of our Company at www.jiujiuwang.com and the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for Hong Kong Public Offer Shares

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— 13. Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Monday, 15 March 2021 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 16 March 2021, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Our Company is initially offering 19,800,000 new Shares at the Offer Price, representing 10% of the Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of the total number of Shares in issue after 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, 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 out in the paragraph headed “Conditions of the Hong Kong Public Offering” in this section.

Allocation

For allocation purposes only, the Hong Kong Public Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 9,900,000 Hong Kong Public Offer Shares and Pool B will comprise 9,900,000 Hong Kong Public Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Public Offer Shares with a total amount (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Public Offer Shares with a total amount (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus of the Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Public Offer Shares in either Pool A or Pool B. In addition, multiple or

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suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 9,900,000 Hong Kong Public Offer Shares (being 50% of the initial number of Hong Kong Public Offer Shares).

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation at the discretion of the Joint Global Coordinators, subject to the following:

- (a) where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Public Offer Shares are undersubscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate;
 - (ii) if 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, then up to 19,800,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 39,600,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (A) 15 times or more but less than 50 times; (B) 50 times or more but less than 100 times; and (C) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 59,400,000 Offer Shares (in the case of (A)), 79,200,000 Offer Shares (in the case of (B)) and 99,000,000 Offer Shares (in the case of (C)) representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;
- (b) where the International Placing Shares are undersubscribed:
 - (i) if the Hong Kong Public Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their 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, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Public Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 19,800,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so

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that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 39,600,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In all cases, the number of the Hong Kong Public Offer Shares allocated to the International Placing will be correspondingly reduced.

In addition, the Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may in certain circumstances be reallocated between these offerings at the discretion of the Joint Global Coordinators. In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$0.65 per Offer Share) according to guidance letter HKEX-GL91-18 issued by the Stock Exchange. The maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering shall be not more than 39,600,000 Offer Shares, representing double of the initial allocation to the Hong Kong Public Offer.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) have the authority to reallocate all or any of the unsubscribed Hong Kong Public Offer Shares originally included in the Hong Kong Public Offering to the International Placing in such number as it deems appropriate to satisfy demand under the International Placing.

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, 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 it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person for whose benefit he 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 Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

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THE INTERNATIONAL PLACING

Number of Offer Shares Offered

Our Company is initially offering for subscription 178,200,000 new Shares for subscription at the Offer Price under the International Placing, representing 90% of the Offer Shares initially available under the Global Offering, subject to reallocation as mentioned in the paragraph headed “The Hong Kong Public Offering — Reallocation” in this section. The International Placing is subject to the Hong Kong Public Offering being unconditional.

Allocation

Pursuant to the International Placing, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and allocation” in this section and based on a number of factors, including the level and timing of demand, 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 Shares, and/or hold or sell its Shares after Listing.

Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

OVER-ALLOTMENT OPTION

Our Company intends to grant the Over-allotment Option to the International Underwriters, exercisable at the discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the sole and absolute discretion to require us to allot and issue up to an aggregate of 29,700,000 additional Shares representing in aggregate 15% of the Offer Shares, at the Offer Price, to cover over allocations in the International Placing, if any, and/or the obligations of the Stabilising Manager to return Shares which it may borrow under the Stock Borrowing Agreement. If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued will represent 15% of our Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. Assuming an Offer Price of HK\$0.7 (being the mid-point of the Offer Price range of HK\$0.65 and HK\$0.75 our Company would receive additional net proceeds (after deducting commission and expenses attributable to the exercise of the Over-allotment Option) of approximately HK\$17.3 million. A public announcement will be made in the event that the Over-allotment Option is exercised.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allotments in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 29,700,000 Shares from Xiejia, pursuant to the Stock Borrowing Agreement.

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The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Xiejia by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Xiejia or its nominee(s) within three Business Days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to Xiejia by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

STABILISATION AND OVER-ALLOTMENT

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely, 29,700,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimising 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

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minimising 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 minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last Business Day immediately before the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising 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 either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising 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 a public 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 stabilising period.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 29,700,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators on behalf of the International Underwriters (at the discretion of the Joint Global Coordinators), or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 29,700,000 Shares from Xiejia, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

STRUCTURE OF THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies 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 Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business 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.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 16 March 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 16 March 2021. The Shares will be traded in board lots of 5,000 Shares each under the stock code 1927.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for the International Placing Shares.

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

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via the **White Form eIPO** Service Provider at www.eipo.com.hk; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

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.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a U.S. person (as defined in Regulation S under the U.S. Securities Act); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for the Hong Kong Public Offer Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you:

- (a) are an existing beneficial owner of shares in our Company and/or any of our subsidiaries;
- (b) are a director or chief executive of our Company and/or any of our subsidiaries;
- (c) are a close associate (as defined in the Listing Rules) of any of the above; or
- (d) have been allocated or have applied for any International Placing Shares or have otherwise participated in the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which application channel to use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Public 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, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Friday, 26 February 2021 until 12:00 noon on Friday, 5 March 2021 from:

- (a) the following offices of the Hong Kong Underwriters:

Lego Securities Limited	Room 301, 3/F, China Building 29 Queen's Road Central Central Hong Kong
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Aristo Securities Limited	Room 101, 1st Floor On Hong Commercial Building 145 Hennessy Road, Wanchai Hong Kong
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China Tonghai Securities Limited	18/F–19/F, China Building 29 Queen's Road Central Hong Kong
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HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

First Fidelity Capital (International) Limited	Unit 1405, Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong
Seazen Resources Securities Limited	Units 4503–07, 45/F, The Center 99 Queen’s Road Central Central Hong Kong
Brilliant Norton Securities Company Limited	Suite 804, 8/F Jubilee Centre 46 Gloucester Road Wanchai Hong Kong
Fruit Tree Securities Limited	Room 1906, 19/F China Insurance Group Building 141 Des Voeux Road Central Central Hong Kong
Grand China Securities Limited	Rm 503, 5/F, Loke Yew Building 50–52 Queen’s Road Central Central Hong Kong
Kirin Securities Limited	Room 3801, 38/F 118 Connaught Road West Hong Kong
Lee Go Securities Limited	Unit 02, 12/F, West Exchange Tower 322 Des Voeux Road Central Hong Kong
MTF Securities Limited	Room B, 21/F., Henry Centre 131 Wo Yi Hop Road Kwai Chung N.T. Hong Kong
Realord Asia Pacific Securities Limited	Suite 2402, 24/F, Jardine House 1 Connaught Place Central Hong Kong
Yuzhou Financial Holdings Limited	Unit 5805, 58/F The Center 99 Queen’s Road Central Central Hong Kong

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- (b) any of the following branches of the receiving bank, Bank of China (Hong Kong) Limited, in Hong Kong:

District	Branch	Address
Hong Kong Island	Central District (Wing On House) Branch	B/F–2/F, Wing On House 71 Des Voeux Road Central Hong Kong
Kowloon	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza 68 Hoi Yuen Road Kwun Tong, Kowloon
New Territories	Tuen Mun San Hui Branch	G13–G14 Eldo Court Heung Sze Wui Road Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Friday, 26 February 2021 until 12:00 noon on Friday, 5 March 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — JIUJIUWANG FOOD PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 26 February 2021	— 9:00 a.m. to 4:00 p.m.
Saturday, 27 February 2021	— 9:00 a.m. to 12:00 noon
Monday, 1 March 2021	— 9:00 a.m. to 4:00 p.m.
Tuesday, 2 March 2021	— 9:00 a.m. to 4:00 p.m.
Wednesday, 3 March 2021	— 9:00 a.m. to 4:00 p.m.
Thursday, 4 March 2021	— 9:00 a.m. to 4:00 p.m.
Friday, 5 March 2021	— 9:00 a.m. to 12:00 noon

The application for the Hong Kong Public Offer Shares will commence on Friday, 26 February 2021 up to Friday, 5 March 2021, being longer than the normal market practice of 3.5 days.

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 5 March 2021, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

By submitting an Application Form or applying through the **White Form eIPO** Service Provider, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agent of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by our Articles of Association;
- (b) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance, the Company Act and our Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) 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;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, their respective directors, officers, employees, partners, agents, advisers 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);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (h) agree to disclose to our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, the Hong Kong Branch Share Registrar, the receiving bank, and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) (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 our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers 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 and the Application Form;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public 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;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number of such Shares allocated to you under the application;
- (o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(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 are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (p) 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;
- (q) understand that our 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 Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) 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 on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as an agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

5. APPLYING THROUGH WHITE FORM eIPO

General

Individuals who meet the criteria set out in the paragraph headed “2. Who can apply” in this section may apply through the **White Form eIPO** Service Provider for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** Service Provider are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for submitting applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 26 February 2021 until 11:30 a.m. on Friday, 5 March 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 5 March 2021 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** Service Provider to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** 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 **White Form eIPO** Service Provider or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our 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 (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Jiujiuwang Food International Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public 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 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, of which the address is 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong, and complete an input request form.

You can also collect a copy of this prospectus from this address.

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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (b) HKSCC Nominees will do the following things on your behalf:
- (i) agree that the Hong Kong Public 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;
 - (ii) agree to accept the Hong Kong Public Offer Shares applied for or any lesser number of such Shares allocated;
 - (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (iv) (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;
 - (v) (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 authorised to give those instructions as an agent;
 - (vi) confirm that you understand that our Company, our 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 Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - (vii) authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - (ix) 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;
 - (x) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers 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);
 - (xi) agree to disclose your personal data to our Company, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, the Hong Kong Branch Share Registrar, the receiving bank and/or their respective advisers and agents;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (xii) 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;
- (xiii) 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 our Company agreeing that it will not offer any Hong Kong Public 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 (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- (xiv) 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 our Company's announcement of the Hong Kong Public Offering results;
- (xv) 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 Public Offer Shares;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our 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 our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and our Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, 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 our Company or any other person in respect of the things mentioned below:

- (a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- (b) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 and the Stock Exchange trading fee) by crediting your designated bank account; and
- (c) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Hong Kong Public Offer Shares. Instructions for more than 5,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates^(Note):

Friday, 26 February 2021	—	9:00 a.m. to 8:30 p.m.
Saturday, 27 February 2021	—	8:00 a.m. to 1:00 p.m.
Monday, 1 March 2021	—	8:00 a.m. to 8:30 p.m.
Tuesday, 2 March 2021	—	8:00 a.m. to 8:30 p.m.
Wednesday, 3 March 2021	—	8:00 a.m. to 8:30 p.m.
Thursday, 4 March 2021	—	8:00 a.m. to 8:30 p.m.
Friday, 5 March 2021	—	8:00 a.m. to 12:00 noon

Note: 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.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 26 February 2021 until 12:00 noon on Friday, 5 March 2021 (24 hours daily, except on Friday, 5 March 2021, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 5 March 2021, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public 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 Public 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 (WUMP) Ordinance

For the avoidance of doubt, our 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 (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section in the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** is also only a facility provided by the **White Form eIPO** 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. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** will be allotted any Hong Kong Public 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

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 5 March 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- (a) an account number; or
- (b) some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- (a) control the composition of the board of directors of the company;
- (b) control more than half of the voting power of the company; or
- (c) 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 PUBLIC OFFER SHARES

The **WHITE** or **YELLOW** Application Forms have tables showing the exact amount payable for our Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for our Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** Service Provider in respect of a minimum of 5,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and allocation — Determining the Offer Price” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above;
- (b) a “black” rainstorm warning signal; and/or
- (c) Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 March 2021. 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 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 Friday, 5 March 2021 or if there is/are 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 the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing and the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Monday, 15 March 2021 on our Company’s website at www.jiujiuwang.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our Company’s website at www.jiujiuwang.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 15 March 2021;

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- (b) from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 15 March 2021 to 12:00 midnight on Sunday, 21 March 2021;
- (c) by telephone enquiry line by calling + 852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Monday, 15 March 2021, Tuesday, 16 March 2021, Wednesday, 17 March 2021 and Thursday, 18 March 2021; and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Monday, 15 March 2021 to Wednesday, 17 March, 2021 at all the receiving bank’s designated branches.

If our 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 Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. See the section headed “Structure of the Global Offering” in this prospectus for details.

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 HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, 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 our 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 (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) 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 procedures to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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.

(b) If our Company or our agents exercise our discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** 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.

(c) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Stock Exchange does not grant permission to list our 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 Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) 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 Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** Service Provider are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, we or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

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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\$0.75 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the conditions set out in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest, or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, 15 March 2021.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque(s), if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheque(s) and share certificates are expected to be posted on or before Monday, 15 March 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

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Share certificates will only become valid at 8:00 a.m. on Tuesday, 16 March 2021 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus 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

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 15 March 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 15 March 2021, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, 15 March 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and 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 credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Monday, 15 March 2021, or in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

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For Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

- If you are applying as a CCASS Investor Participant

Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "11. Publication of results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before Monday, 15 March 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 15 March 2021, or such other date as notified by our Company in the newspapers at the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

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 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, 15 March 2021 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 despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public 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.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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 Monday, 15 March 2021, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our 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 the paragraph headed "11. Publication of results" in this section on Monday, 15 March 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before Monday, 15 March 2021 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 Public 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 Public 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 Monday, 15 March 2021. Immediately following the credit of the Hong Kong Public 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 Public 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 and the 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 Monday, 15 March 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

dealings in our 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 Business 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 arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIUJIUWANG FOOD INTERNATIONAL LIMITED AND LEGO CORPORATE FINANCE LIMITED

INTRODUCTION

We report on the historical financial information of Jiujiuwang Food International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-1 to I-62, which comprises the consolidated statements of financial position as at 31 December 2017, 2018, 2019 and 31 August 2020, the statement of financial position of the Company as at 31 December 2017, 2018, 2019 and 31 August 2020 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2019 and the eight months ended 31 August 2020 (the "Track Record Period") and a summary of significant accounting policy and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of the report, which has been prepared for inclusion in the documents of the Company dated 26 February 2021 (the "Prospectus") in connection with the initial listing of the shares of the Company on Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITIES FOR THE HISTORY 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 preparation and presentation set out in note 3 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.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

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 accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants

consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 3 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 accountants' report, a true and fair view of the Group's consolidated financial position as at 31 December 2017, 2018, 2019 and 31 August 2020 and of the Company's financial position as at 31 December 2017, 2018, 2019 and 31 August 2020 and of the Group's consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 3 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 consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight months ended 31 August 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 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 Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. 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 Hong Kong 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 accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISION) 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 13 of Section II to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No Historical Financial Statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Shek Lui
Practising Certificate Number: P05895
Hong Kong, 26 February 2021

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by HLB Hodgson Impey Cheng Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements")

The Historical Financial Information is presented in Renminbi ("RMB") which is the functional currency of the Company and the majority of its subsidiaries, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	For the year ended 31 December			For the period ended 31 August	
		2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000 (unaudited)	2020 RMB'000
Revenue	6	355,793	380,815	414,082	259,689	237,854
Cost of sales		<u>(247,292)</u>	<u>(266,089)</u>	<u>(283,678)</u>	<u>(175,749)</u>	<u>(162,943)</u>
Gross profit		108,501	114,726	130,404	83,940	74,911
Other income, gain or (loss), net	7	13,607	4,085	211	667	705
Selling expenses		(31,572)	(31,388)	(32,477)	(21,181)	(19,939)
Administrative expenses		(16,509)	(20,454)	(24,467)	(18,071)	(11,546)
Finance costs	8	<u>(11,808)</u>	<u>(13,547)</u>	<u>(14,470)</u>	<u>(9,728)</u>	<u>(9,266)</u>
Profit before taxation	9	62,219	53,422	59,201	35,627	34,865
Taxation	12	<u>(15,804)</u>	<u>(14,736)</u>	<u>(16,005)</u>	<u>(10,079)</u>	<u>(9,047)</u>
Profit for the year/period		<u>46,415</u>	<u>38,686</u>	<u>43,196</u>	<u>25,548</u>	<u>25,818</u>
Profit for the year/period attributable to owners of the Company		46,415	38,686	43,196	25,548	25,818
Items that may be reclassified subsequently to profit or loss:						
Exchange difference translation of foreign operations		<u>(14)</u>	<u>(205)</u>	<u>319</u>	<u>68</u>	<u>273</u>
Other comprehensive loss for the year/period, net of tax		<u>(14)</u>	<u>(205)</u>	<u>319</u>	<u>68</u>	<u>273</u>
Total comprehensive income for the year/period attributable to owners of the Company		<u>46,401</u>	<u>38,481</u>	<u>43,515</u>	<u>25,616</u>	<u>26,091</u>
Earnings per share attributable to owners of the Company						
Basic and diluted (RMB cents)	14	<u>7.8</u>	<u>6.5</u>	<u>7.3</u>	<u>4.3</u>	<u>4.3</u>

The accompanying notes form an integral part of the Financial Information.

Consolidated Statements of Financial Position

	Notes	As at 31 December			As at
		2017	2018	2019	31 August
		RMB'000	RMB'000	RMB'000	2020
					RMB'000
Assets					
Non-current assets					
Property, plant and equipment	15	168,203	213,336	240,259	235,431
Prepaid lease payments — non-current portion	16	9,882	23,985	—	—
Right-of-use assets	16	—	—	23,985	23,599
Deferred tax assets	27	—	195	257	117
		<u>178,085</u>	<u>237,516</u>	<u>264,501</u>	<u>259,147</u>
Current assets					
Prepaid lease payments — current portion	16	280	579	—	—
Inventories	17	77,867	74,745	73,791	80,718
Trade receivables	18	78,938	89,515	105,616	94,380
Prepayments and other receivables	19	28,443	1,625	9,411	33,118
Amount due from a director	20	98,025	—	—	—
Cash and cash equivalents	21	<u>33,604</u>	<u>43,393</u>	<u>37,684</u>	<u>22,275</u>
		<u>317,157</u>	<u>209,857</u>	<u>226,502</u>	<u>230,491</u>
Liabilities					
Current liabilities					
Trade payables	22	34,751	29,510	18,931	4,799
Accruals and other payables	23	4,000	5,117	12,163	10,636
Contract liabilities	24	2,784	3,124	2,746	—
Bank borrowings	25	189,000	226,950	225,000	220,920
Bills payable	22	44,240	3,000	5,000	—
Amount due to a director	20	—	2,686	7,575	8,289
Tax payables		<u>4,937</u>	<u>4,433</u>	<u>3,520</u>	<u>2,835</u>
		<u>279,712</u>	<u>274,820</u>	<u>274,935</u>	<u>247,479</u>
Net current assets/(liabilities)		<u>37,445</u>	<u>(64,963)</u>	<u>(48,433)</u>	<u>(16,988)</u>
Total assets less current liabilities		<u>215,530</u>	<u>172,553</u>	<u>216,068</u>	<u>242,159</u>
Net assets		<u>215,530</u>	<u>172,553</u>	<u>216,068</u>	<u>242,159</u>
Equity					
Share capital	26	85,340	350	350	350
Reserves		<u>130,190</u>	<u>172,203</u>	<u>215,718</u>	<u>241,809</u>
Total equity		<u>215,530</u>	<u>172,553</u>	<u>216,068</u>	<u>242,159</u>

The accompanying notes form an integral part of the Financial Information.

Statements of Financial Position of the Company

	Notes	As at 31 December			As at
		2017	2018	2019	31 August
		RMB'000	RMB'000	RMB'000	2020
					RMB'000
Non-current assets					
Investment in a subsidiary		<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
		9	9	9	9
Current assets					
Deposits and prepayments	19	—	1,363	3,015	3,032
Amount due from a director		233	187	110	107
Cash and cash equivalents		<u>—</u>	<u>247</u>	<u>4</u>	<u>4</u>
		<u>233</u>	<u>1,797</u>	<u>3,129</u>	<u>3,143</u>
Current liabilities					
Other payables	23	—	1,383	5,015	4,628
Amounts due to subsidiaries		<u>8</u>	<u>9</u>	<u>2,469</u>	<u>3,307</u>
		8	1,392	7,484	7,935
Net current assets/(liabilities)		<u>225</u>	<u>405</u>	<u>(4,355)</u>	<u>(4,792)</u>
Net assets/(liabilities)		<u><u>234</u></u>	<u><u>414</u></u>	<u><u>(4,346)</u></u>	<u><u>(4,783)</u></u>
Equity					
Share capital		340	350	350	350
Reserves	29	<u>(106)</u>	<u>64</u>	<u>(4,696)</u>	<u>(5,133)</u>
Total equity		<u><u>234</u></u>	<u><u>414</u></u>	<u><u>(4,346)</u></u>	<u><u>(4,783)</u></u>

Consolidated Statements of Changes in Equity

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	80,000	—	8,898	—	74,891	163,789
Profit for the year	—	—	—	—	46,415	46,415
Other comprehensive loss for the year	—	—	—	(14)	—	(14)
Total comprehensive income for the year	—	—	—	(14)	46,415	46,401
Issued of share capital	5,340	—	—	—	—	5,340
Transfer to statutory surplus reserve	—	—	4,645	—	(4,645)	—
At 31 December 2017	85,340	—	13,543	(14)	116,661	215,530
Adoption of HKFRS 9 (note (i))	—	—	—	—	(458)	(458)
Adjusted balance at 1 January 2018	85,340	—	13,543	(14)	116,203	215,072
Profit for the year	—	—	—	—	38,686	38,686
Other comprehensive loss for the year	—	—	—	(205)	—	(205)
Total comprehensive income for the year	—	—	—	(205)	38,686	38,481
Issue of share capital	10	3,990	—	—	—	4,000
Effect of reorganisation (note (iii))	(85,000)	—	—	—	—	(85,000)
Transfer to statutory surplus reserve	—	—	4,274	—	(4,274)	—
At 31 December 2018 and 1 January 2019	<u>350</u>	<u>3,990</u>	<u>17,817</u>	<u>(219)</u>	<u>150,615</u>	<u>172,553</u>
Profit for the year	—	—	—	—	43,196	43,196
Other comprehensive income for the year	—	—	—	319	—	319
Total comprehensive income for the year	—	—	—	319	43,196	43,515
Transfer to statutory surplus reserve	—	—	4,878	—	(4,878)	—
At 31 December 2019 and 1 January 2020	<u>350</u>	<u>3,990</u>	<u>22,695</u>	<u>100</u>	<u>188,933</u>	<u>216,068</u>

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Profit for the period	—	—	—	—	25,818	25,818
Other comprehensive loss for the period	—	—	—	273	—	273
Total comprehensive income for the period	—	—	—	273	25,818	26,091
Transfer to statutory surplus reserve	—	—	2,623	—	(2,623)	—
At 31 August 2020	<u>350</u>	<u>3,990</u>	<u>25,318</u>	<u>373</u>	<u>212,128</u>	<u>242,159</u>
At 1 January 2019	350	3,990	17,817	(219)	150,615	172,553
Profit for the period (unaudited)	—	—	—	—	25,277	25,277
Other comprehensive income for the period (unaudited)	—	—	—	68	—	68
Total comprehensive income for the period (unaudited)	—	—	—	68	25,277	25,345
Transfer to statutory surplus reserve	—	—	3,117	—	(3,117)	—
At 31 August 2019 (unaudited)	<u>350</u>	<u>3,990</u>	<u>20,934</u>	<u>(151)</u>	<u>172,775</u>	<u>197,898</u>

Note:

- (i) Upon the adoption of HKFRS 9 “Financial Instruments” on January 1, 2018, an impact of RMB458,000 was recorded as an adjustment to the retained earnings as at January 1, 2018, which represented the impairment loss allowance. Details of the adjustment are set out in note 3.
- (ii) As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company’s PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.
- (iii) Effect of reorganisation represents the effect caused by acquisitions of subsidiaries from shareholders as part of the reorganisation exercise, including (i) the acquisition of 97% equity interest in Coolsa Food by Junwo from Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi which decrease the share capital of RMB4,850,000 (ii) the acquisition of 3% equity interest in Coolsa Food by Junwo from APOC HK which decrease the share capital of RMB150,000 and (iii) the acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food which decrease the share capital of RMB80,000,000. The amount of RMB85,000,000 also represents as a deemed distribution to the Controlling Shareholder, which is equivalent to the consideration of the acquisition of equity interests in Jiujiuwang Food and Coolsa Food.

- (iv) Effect of reorganisation represents the effect caused by acquisitions of subsidiaries from shareholders as part of the reorganisation exercise, which includes the acquisition of 97% equity interest in Coolsa Food by Junwo from Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi which decrease the share capital of RMB4,850,000.

The accompanying notes form an integral part of the Financial Information.

Consolidated Statements of Cash Flows

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)				
Operating activities					
Profit before taxation	62,219	53,422	59,201	35,627	34,865
Adjustments for:					
Amortisation of prepaid lease payments	340	537	—	—	—
Depreciation of property, plant and equipment	10,454	11,459	17,437	11,097	11,039
Depreciation of right-of-use assets	—	—	579	386	386
Net allowance for expected credit losses on trade receivables	—	170	248	(334)	(562)
Loss on disposal of prepaid lease payment	1,873	—	—	—	—
Loss on disposal of property, plant and equipment	3	469	—	—	28
Interest income	(70)	(71)	(68)	(39)	(45)
Interest expenses	11,808	13,547	14,470	9,728	9,266
Operating profit before working capital changes	86,627	79,533	91,867	56,465	54,977
(Increase)/decrease in inventories	(15,914)	3,122	954	(2,693)	(6,927)
(Increase)/decrease in trade receivables	(13,273)	(11,358)	(16,349)	8,026	11,798
(Increase)/decrease in prepayments and other receivables	(26,776)	26,818	(7,786)	(17,045)	(23,707)
Increase/(decrease) in trade payables	485	(5,241)	(10,579)	(21,177)	(14,132)
Increase/(decrease) in contract liabilities	174	340	(378)	272	(2,746)
(Decrease)/increase in accruals and other payables	(1,416)	1,117	7,046	3,522	(1,527)
Net cash generated from operations	29,907	94,331	64,775	27,370	17,736
Income tax paid	(14,995)	(15,282)	(16,980)	(12,469)	(9,592)
Net cash generated from operating activities	14,912	79,049	47,795	14,901	8,144
Cash flows from investing activities					
Interest received	70	71	68	39	45
Proceeds on disposal of property, plant and equipment	5	—	—	—	—
Purchase of prepaid lease payments	—	(14,939)	—	—	—
Purchases of property, plant and equipment	(8,628)	(57,061)	(44,360)	(44,360)	(6,239)
Net cash used in investing activities	(8,553)	(71,929)	(44,292)	(44,321)	(6,194)

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cash flows from financing activities					
Proceeds from bank borrowings	189,000	226,950	225,000	202,610	146,580
Repayment on bank borrowings	(179,000)	(189,000)	(226,950)	(208,110)	(150,660)
Increase/(decrease) in bills payable	44,240	(41,240)	2,000	2,000	(5,000)
Advance (to)/from a director	(44,269)	100,711	4,889	4,825	714
Effect of reorganisation	—	(85,000)	—	—	—
Proceeds from issuance of shares	5,340	4,000	—	—	—
Interest paid	(11,808)	(13,547)	(14,470)	(9,728)	(9,266)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash generated from/(used in) financing activities	<u>3,503</u>	<u>2,874</u>	<u>(9,531)</u>	<u>(8,403)</u>	<u>(17,632)</u>
Net increase/(decrease) in cash and cash equivalents	9,862	9,994	(6,028)	(37,823)	(15,682)
Cash and cash equivalents at the beginning of the year	23,756	33,604	43,393	43,393	37,684
Effect of exchange rate changes	<u>(14)</u>	<u>(205)</u>	<u>319</u>	<u>68</u>	<u>273</u>
Cash and cash equivalents at the end of the year	<u>33,604</u>	<u>43,393</u>	<u>37,684</u>	<u>5,638</u>	<u>22,275</u>
Analysis of the balances of cash and cash equivalents					
Cash and cash equivalents	<u>33,604</u>	<u>43,393</u>	<u>37,684</u>	<u>5,638</u>	<u>22,275</u>

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 February 2017 as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered office is located at 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands and its principal place of business in is located at PRC.

The Company is an investment holding company. The Group principally engages in manufacture and sell confectionary products, such as aerated candies, gum-based candies, hard candies, tablet candies and chocolate-made products.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION REORGANISATION

Pursuant to Reorganisation as fully explained in the section headed “History, development and reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 4 January 2019. The Company and its subsidiaries have been under the common control of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Zheng Guosi throughout the Track Record Period.

The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the business. Accordingly, the Financial Information has been prepared by applying the principles of merger accounting, as prescribed in Hong Kong Guideline 5 “Merger Accounting for Common Control Combinations” issued by HKICPA, as if the Reorganisation had been completed at the beginning of the Track Record Periods.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period.

The consolidated statements of financial position of the Group at 31 December 2017, 2018, 2019 and 31 August 2020 have been prepared to present the assets and liabilities of the subsidiaries using the existing carrying amounts of the principal business of the Group for the Track Record Periods. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Pursuant to the Reorganisation detailed below, the Company has become the holding company of the companies now comprising the Group on 29 December 2018. The Company and its subsidiaries have been under the common control of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Zheng Guosi throughout the Track Record Periods, and before and after the Reorganisation, or since their respective dates of incorporation, where there is a shorter period.

The Reorganisation steps are described below

1. Incorporation of the Company, subsequent issue and allotment of Shares

On 21 February 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial authorised share capital of the Company was US\$50,000 divided into 500,000 Shares of par value of US\$0.1 each.

On the same date, one initial Share of US\$0.1 was allotted and issued to Sertus Nominees (Cayman) Limited, the initial subscriber, which then transferred such Share to Jianeng International Limited (佳能国际有限公司) (“Jianeng”), the investment holding vehicle solely owned by Mr. Zheng Zhenzhong on the same date.

On the same date, our Company allotted and issued 149,999 and 175,000 Shares at par value to Jianeng, which is solely owned by Mr. Zheng Zhenzhong, and Haisen International Limited (嗨森国际有限公司) (“Haisen”), which is solely owned by Mr. Zheng Guodian, respectively.

On 17 November 2017, our Company further allotted and issued 175,000 Shares at par value, representing 35% of the enlarged issued share capital of our Company to XIEJIA LIMITED (“Xiejia”), which is solely owned by Mr. Zheng Guosi.

After the aforesaid allotment and issue of Shares, our Company was owned as to 30% by Jianeng, 35% by Xiejia and 35% by Haisen.

As part of our Reorganisation, our Company subsequently further increased its authorised share capital to US\$51,546.4 and allotted and issued 15,464 shares at a par value of US\$0.1 in our Company to APOC. On 5 October 2018, our Company allotted and issued 15,464 shares, credited as fully paid, to APOC. Upon completion of the aforesaid allotment of Shares, our Company was owned as to approximately 29.1% by Jianeng, approximately 33.95% by Xiejia, approximately 33.95% by Haisen and approximately 3% by APOC.

2. Incorporation of Junwo International Limited (“Junwo”)

On 24 May 2017, Junwo was incorporated in Hong Kong with limited liabilities. The issued share capital of Junwo was HK\$10,000 divided into 10,000 ordinary shares. Upon incorporation, 10,000 shares were issued and allotted to our Company and since then Junwo has been wholly owned by our Company.

3. Establishment of Jinjiang Coolsa Food Limited (“Coolsa Food”)

On 10 April 2017, Coolsa Food was established under the laws of PRC with limited liability with a registered capital of RMB5,000,000 and was owned as to 65% by Mr. Zheng Zhenzhong and 35% by Mr. Zheng Guodian.

On 20 November 2017, Mr. Zheng Zhenzhong transferred 35% equity interest in Coolsa Food to Mr. Zheng Guosi at nil consideration. Our PRC Legal Advisers have confirmed that such transaction was properly and legally completed on 4 December 2017.

Upon completion at the aforesaid transfer, Coolsa Food was owned as to 30% by Mr. Zheng Zhenzhong, 35% by Mr. Zheng Guodian and 35% by Mr. Zheng Guosi.

4. Acquisition of 3% equity interest in Coolsa Food by APOC HK

On 12 January 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with APOC HK, an Independent Third Party and a passive investor, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred 0.9%, 1.05% and 1.05% equity interest in Coolsa Food to APOC HK for a consideration of RMB45,000, RMB52,500 and RMB52,500 respectively, which were determined with reference to the appraised net asset value of Coolsa Food as at 30 June 2017. The considerations were settled on 17 April 2018.

APOC HK is a company incorporated in Hong Kong with limited liabilities and wholly owned by APOC, a company incorporated in the BVI with limited liabilities, which is in turn solely owned by Mr. Lee, as a passive investor. Such transactions were properly and legally completed on 31 January 2018.

5. Acquisition of 97% equity interest in Coolsa Food by Junwo from Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi

On 14 September 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Junwo, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Coolsa Food to Junwo at a consideration of RMB1,455,000, RMB1,697,500 and RMB1,697,500 respectively determined with reference to the then net asset value of Coolsa Food. The consideration was settled on 29 December 2019. Our PRC Legal Advisers have confirmed that such transactions were properly and legally completed and settled on 14 September 2018. Upon completion of the aforesaid transfers on 14 September 2018, Coolsa Food was owned to 97% by Junwo and 3% by APOC HK.

6. Subscription of shares by APOC

On 5 October 2018, APOC entered into the Investment Agreement with our Company, Jianeng, Haisen and Xiejia, pursuant to which our Company increased its authorised share capital from US\$50,000 to US\$51,546.4 by the creation of 15,464 Shares and allotted the same at a par value of US\$0.1 each, credited as fully paid, to APOC, representing approximately 3% of the enlarged issued share capital of our Company at a consideration of RMB4,000,000, which was determined with reference to the historical financial results of our Group. This transaction was subject to the satisfaction of two conditions subsequent, namely (i) the transfer of 3% equity interest in Coolsa Food held by APOC HK to Junwo at a consideration of RMB150,000; and (ii) the acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food. For details, please refer to the section headed “History, development and Reorganisation — Pre-IPO Investment” in the Prospectus. Upon completion of the aforesaid allotment of Shares, our Company was owned as to approximately 29.1% by Jianeng, approximately 33.95% by Xiejia, approximately 33.95% by Haisen and approximately 3% by APOC.

7. Acquisition of 3% equity interest in Coolsa Food by Junwo from APOC HK

On 5 October 2018, for the purpose of fulfilling the condition subsequent (i) mentioned above, APOC HK transferred all of its equity interest in Coolsa Food, i.e. 3%, to Junwo at a consideration of RMB150,000, which was determined with reference to the capital contribution by APOC HK in Coolsa Food. The consideration was settled on 2 March 2019. Our PRC Legal Advisers have confirmed that such transaction was properly and legally completed and settled on 17 October 2018.

Upon completion of the aforesaid transfer, Coolsa Food was owned by Junwo as to 100% and became a wholly-owned subsidiary of our Company.

8. Acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food

On 22 October 2018, for the purpose of fulfilling the condition subsequent (ii) mentioned in the paragraph headed “7. Acquisition of 3% equity interest in Coolsa Food by Junwo from APOC HK” above, being the acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Coolsa Food, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Jiujiuwang Food to Coolsa Food at a consideration of RMB24,000,000, RMB28,000,000 and RMB28,000,000 respectively determined with reference to their respective capital contribution in Jiujiuwang Food. Jiujiuwang Food declared dividend of RMB80.0 million to Coolsa Food on 28 December 2018, and such dividend was paid to Coolsa Food in several instalments on 29 December 2018, 3 January 2019 and 4 January 2019. Coolsa Food in turn settled the consideration to Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian on 29 December 2018, 3 January 2019 and 4 January 2019, respectively. Such transaction was properly and legally completed on 25 October 2018.

9. Acquisition of Jiujiuwang Co Limited (“Jiujiuwang Co”) by Jiujiuwang Food

On 29 December 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Jiujiuwang Food, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Jiujiuwang Co, i.e. 20%, 40% and 40%, to Jiujiuwang Food at nil consideration. Such transactions were properly and legally completed on 4 January 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information and has been prepared under the historical cost convention and using the merger basis of accounting as if the Group had always been in existence as further explained below. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise stated.

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by disclosure requirements of the Predecessor Companies Ordinance.

For the purpose of preparing the Historical Financial Information, the Group has consistently applied all the new and revised HKFRSs which are effective for the Group during the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period as explained below.

Application of new and revised standards, amendments and interpretations

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied HKFRSs that are effective for the financial year beginning on 1 January 2019 throughout the Track Record Period, including HKFRS 15 Revenue from Contracts with Customers, except that the Group adopted HKFRS 9 Financial Instruments since 1 January 2018 and HKAS 39 Financial Instruments: Recognition and Measurement for the year ended 31 December 2017 and HKFRS 16 Lease since 1 January 2019.

There is no significant impact on the accounting policies and Historical Financial Information of the Group upon the adoption of HKFRS 15, which replaces both the provisions of HKAS 18 “Revenue” and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

There is no significant impact on the accounting policies and Historical Financial Information of the Group upon the adoption of HKFRS 9, replacing HKAS 39 “Financial Instruments: Recognition and Measurement”, which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

During the years ended 31 December 2018, 2019 and 31 August 2020, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit loss (“ECL”) for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provision set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

Classification and measurement of financial assets

Except for the impairment loss recognised based on ECL model, all financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39. The table below illustrates the classification and measurement of financial instruments under HKFRS 9 and HKAS 39 at the date of initial application, i.e. 1 January 2018.

	Origin measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 RMB'000	New carrying amount under HKFRS 9 RMB'000
Trade receivables	Loan and receivables	Financial assets at amortised cost	78,938	78,327
Other receivables	Loan and receivables	Financial assets at amortised cost	847	847
Amount due from a director	Loan and receivables	Financial assets at amortised cost	98,025	98,025
Cash and cash equivalents	Loan and receivables	Financial assets at amortised cost	33,604	33,604

Impairment of financial assets

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue costs or efforts in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effect arising from initial application of HKFRS 9

The table below illustrate the lifetime expected credit losses of trade receivables subject to ECL measurement under HKFRS 9 and HKAS 39 at the date of initial application, i.e. 1 January 2018.

	Trade receivables RMB'000	Deferred tax assets RMB'000	Retained earnings RMB'000
Closing balance at 31 December 2017			
— HKAS39	78,938	—	116,661
Effect arising from initial application of HKFRS 9:			
Remeasurement — impairment under ECL model	<u>(611)</u>	<u>153</u>	<u>(458)</u>
Opening balance at 1 January 2018	<u><u>78,327</u></u>	<u><u>153</u></u>	<u><u>116,203</u></u>

The Group applies simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets subject to same debtor have been grouped and assessed for ECL based on individual assessment. As at 1 January 2018, allowance for expected credit losses on trade receivables of RMB611,000 have been recognised against retained earnings of RMB458,000 after net of associated deferred tax assets of RMB153,000. The loss allowance is charged against the respective asset.

ECL for other financial assets at amortised cost mainly comprise of other receivables, amount due from a director and cash and cash equivalents are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

Impairment loss allowance of trade receivables as at 31 December 2017 reconcile to the opening impairment loss allowance as at 1 January 2018 is as follows:

	Trade receivables <i>RMB'000</i>
At 31 December 2017–HKAS39	—
Effect arising from initial application of HKFRS 9: Amounts remeasured through opening retained earnings	<u>(611)</u>
At 1 January 2018	<u><u>(611)</u></u>

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC)-Int 4, Determining whether an arrangement contains a lease, HK(SIC)-Int 15, Operating leases — incentives, and HK(SIC)-Int 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The right-of-use assets recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

Transitional impact on HKFRS 16 Lease

The Group apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 31 December 2018, the Group had no non-cancellable operating lease commitments, therefore, the application of HKFRS 16 would not have any impact on opening balance of equity at 1 January 2019, except for the following table summarises the impacts of the transition of HKFRS 16 on the Group’s consolidated statement of financial position:

	Carrying amount at 31 December 2018 <i>RMB'000</i>	Impact on initial application of HKFRS 16 <i>RMB'000</i>	Carrying amount at 1 January 2019 <i>RMB'000</i>
Non-current assets			
Right-of-use assets	—	24,564	24,564
Prepaid-lease payments	<u>23,985</u>	<u>(23,985)</u>	<u>—</u>
Current assets			
Prepaid-lease payments	<u>579</u>	<u>(579)</u>	<u>—</u>

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	As at 31 August 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>	As at 1 January 2019 <i>RMB'000</i>
Land use rights to PRC's government authorities	<u>23,599</u>	<u>23,985</u>	<u>24,564</u>

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ³
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contract — Cost of Fulfilling a Contract ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after 1 June 2020.

⁴ Effective for annual periods beginning on or after 1 January 2022.

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The amendment is effective for annual periods beginning on or after June 1, 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payment are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group's financial performance and financial positions.

Basis of preparation

The Financial Information is presented in Renminbi, rounded to the nearest thousand except when otherwise indicated, which is the presentation currency of the Company.

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below, except for certain financial assets which have been carried at fair value as explained below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies set out below have been applied consistently to all periods presented in Historical Financial Information.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary or business begins when the Group obtains control over the subsidiary or business and ceases when the Group loses control of the subsidiary or business. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary or business.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries or business is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Going concern

The Company had current liabilities exceeded its current assets by RMB16,988,000 as at 31 August 2020. In light of the net current liabilities position as at 31 August 2020, the directors of the Company have given careful consideration to the going concern of the Company. As at the Latest Practicable Date, the Company has obtained unutilised banking facilities totalling RMB72,880,000.

Taking into account the above factors, the directors of the Company are of the opinion that, together with the presently available banking facilities, the internal financial resources of the Company and cash flow from operating activities, the Company has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of issuance of the Historical Financial Information. Hence, the Historical Financial Information has been prepared on a going concern basis.

Merger accounting for common control combination

The Historical Financial Information incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

Revenue recognition

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Revenue from the sale of confectionary product, such as aerated candies, gum-based candies, hard candies, tablet candies and chocolate-made products in relation to OEM sale and own brand sale are recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is up to 180 days upon delivery. Payment in advance is required for some contracts.

A contract liability is recognised when the consideration is received from customers before the goods are delivered. A receivable is recognised when the goods are delivered and accepted as this is a point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest come is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing (upon application of HKFRS 16)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Leasing (before application of HKFRS 16)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the Track Record Period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially 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 capitalisation.

All other borrowing costs are recognised in profit or loss in the Track Record Period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Periods. Taxable profit differs from “profit before taxation” as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and 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 recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or fair value to their residual values over their estimated useful lives using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated depreciation rate for the current and comparative periods are as follows:

Buildings	2.5% per annum
Plant and machinery	10%–20% per annum
Furniture and office equipment	10%–20% per annum
Motor vehicles	10% per annum

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighting average method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Dividend

Dividend to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Financial instruments (before the adoption of HKFRS 9 on 1 January, 2018)

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade day basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid and points or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from a director and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including bank borrowings, trade and other payables and loans from related parties are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial instruments (under adoption of HKFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivable, amount due from a director and cash and cash equivalents) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial re-organisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Other financial liabilities including trade and other payables, bank borrowing, bills payable and amount due to a director are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Other government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution retirement benefits plan are recognised as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

Related parties transactions

A party is considered to be related to the Group if:

- (i) A person or a close member of that person's family is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or of a parent of the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

- (b) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group which the other entity is a member;
- (c) both entities are joint ventures of the same third party;
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;
- (f) the entity is controlled or jointly controlled by a person identified in (i);
- (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity) ; or
- (h) The entity, or any member of a group of which is a part, provides key management personnel services to the Group and Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the equity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the Historical Financial Information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. It will write off or write down technically obsolete assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(b) Net realisable value of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

(c) Estimated Impairment of financial assets at amortised cost

Prior to 1 January 2018, the management assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. If there is objective evidence that an impairment loss on trade receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows.

Starting from 1 January 2018, the Group recognises lifetime ECL for trade receivables and adopted general approach for assessing ECL on other receivables using individual assessment, based on the internal credit rating, the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

(d) Income tax and deferred taxation

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

5. OPERATING SEGMENT

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the Track Record Period, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each product line or geographical area and the executive directors reviewed the financial result of the Group as a whole report under HKFRSs.

The Group currently operates one operating segment which is revenue from sale of the confectionary products. Accordingly, the Group does not have separately reportable segments.

Geographical information

The Group's operations and non-current assets are located in the PRC. Information about the revenue based on the geographical locations of the customers are detailed below:

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC (Note 1)	300,454	318,782	365,339	229,377	218,121
Asia (excluding China) (Note 2)	14,941	10,851	15,623	8,153	6,960
Africa (Note 3)	1,102	—	—	—	—
Europe (Note 4)	30,985	42,160	28,626	19,564	11,342
Others (Note 5)	8,311	9,022	4,494	2,595	1,431
	<u>355,793</u>	<u>380,815</u>	<u>414,082</u>	<u>259,689</u>	<u>237,854</u>

Notes:

- (1) Included PRC exporters who export to Ecuador, Ghana, Ireland, Nigeria, Panama, Costa Rica and the United Kingdom.
- (2) Included Philippines, United Arab Emirates, Palestine, Jordan, Korea, Kuwait, Indonesia, Israel, Turkey, Mongolia and Vietnam.
- (3) Included Cote d'Ivoire, Nigeria, Guinea and Togo.
- (4) Included Germany, Poland, the United Kingdom, Ukraine, Lithuania, Czech Republic, Denmark, Ireland, Netherlands, Spain, Italy, Russia and Belgium.
- (5) Included Australia, Argentina, Brazil, Canada, Ecuador, Haiti, Honduras, the United States, Mexico and Paraguay.

Information about major customers

Revenue from major customers, contributing over 10% or more of the total sales of the Group during the Track Record Period are as follow:

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gary & Bros Confectionary (Beijing) Co., Limited ("G&B")	78,835	95,764	98,733	60,235	47,467
Jinjiang Xiexiang Trading Limited [#] (晉江協翔貿易有限公司)	37,343	46,402	46,647	—*	26,759
	<u>37,343</u>	<u>46,402</u>	<u>46,647</u>	<u>—*</u>	<u>26,759</u>

As at 31 December 2017, 2018, 2019 and 31 August 2020, 62.5%, 51.5%, 54.6% and 44.8% respectively of the Group's trade receivable were due from those customers.

[#] For identification purpose only

* The customer contributed less than 10% of the total revenue of the Group.

6. REVENUE

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount and other allowance for the year, and is analysed as follow:

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Analysed by type of products:					
OEM products	191,243	215,557	202,689	119,625	99,520
Own-branded products					
— Coolsa	135,390	130,603	170,274	111,806	110,937
— Lalabo	25,974	28,055	34,084	22,811	22,778
— Jiujiuwang	3,186	6,600	7,035	5,447	4,619
	<u>355,793</u>	<u>380,815</u>	<u>414,082</u>	<u>259,689</u>	<u>237,854</u>
Sale of good, recognised at a point in time					

Transaction prices are fixed in respective contracts. Unsatisfied performance obligations at 31 December 2017, 2018, 2019 and 31 August 2019 and 2020 have expected duration of less than one year and are thus not disclosed as permitted under HKFRS 15.

7. OTHER INCOME, GAIN OR (LOSS), NET

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Bank interest income	70	71	68	39	45
Exchange gain/(loss)	(1,041)	328	6	205	42
Rental income	66	40	52	34	18
Government grants	14,512	3,646	85	55	38
Reversal of allowance for expected credit losses on trade receivables	—	—	—	334	562
	<u>13,607</u>	<u>4,085</u>	<u>211</u>	<u>667</u>	<u>705</u>

8. FINANCE COSTS

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expenses on — bank borrowings wholly repayable within five years	11,808	13,547	14,470	9,728	9,266

9. PROFIT BEFORE TAXATION

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Amortisation of prepaid lease payments	299	579	—	—	—
Auditors' remuneration	15	16	16	16	13
Cost of inventories recognised as an expenses	204,583	220,863	232,499	140,752	127,857
Depreciation of property, plant and equipment	10,454	11,459	17,437	11,097	11,039
Depreciation of right-of-use assets	—	—	579	386	386
Employee benefit expenses (including directors' emoluments) (note 10)	38,367	38,147	42,499	26,764	27,491
Net allowance for expected credit losses on trade receivables	—	170	248	(334)	(562)
Listing expenses	—	3,960	7,445	6,815	1,124
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Directors' fees	—	—	—	—	—
Salaries, allowances and benefits in kind	33,914	33,911	35,598	22,362	22,735
Retirement benefits and scheme contributions	4,453	4,236	6,901	4,402	4,756
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>38,367</u>	<u>38,147</u>	<u>42,499</u>	<u>26,764</u>	<u>27,491</u>

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to the directors of the Company (including emoluments for services as employee/directors of the Group prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follow:

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Directors' fees	—	—	—	—	—
Salaries, allowances and benefits in kind	701	696	696	464	464
Retirement scheme contributions	21	21	99	76	52
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>722</u>	<u>717</u>	<u>795</u>	<u>540</u>	<u>516</u>

The emoluments of each of the directors for the Track Record Period are set out below:

	For the period ended 31 August 2020				
	Directors' fees	Salaries allowance and benefits		Retirement scheme contribution	Total
		in kind			
		RMB'000	RMB'000		
Executive directors:					
Mr. Zheng Zhenzhong (note a)	—	240	—	240	
Mr. Chen Kan (note b)	—	112	26	138	
Mr. Zheng Guosi (note c)	—	112	26	138	

	For the period ended 31 August 2019 (unaudited)				
	Directors' fees	Salaries allowance and benefits		Retirement scheme contribution	Total
		in kind			
		RMB'000	RMB'000		
Executive directors:					
Mr. Zheng Zhenzhong (note a)	—	240	24	264	
Mr. Chen Kan (note b)	—	112	26	138	
Mr. Zheng Guosi (note c)	—	112	26	138	

	For the year ended 31 December 2019				
	Directors' fees	Salaries allowance and benefits		Retirement scheme contribution	Total
		in kind			
		RMB'000	RMB'000		
Executive directors:					
Mr. Zheng Zhenzhong (note a)	—	360	29	389	
Mr. Chen Kan (note b)	—	168	35	203	
Mr. Zheng Guosi (note c)	—	168	35	203	

	For the year ended 31 December 2018				
	Directors' fees	Salaries allowance and benefits		Retirement scheme contribution	Total
		in kind			
		RMB'000	RMB'000		
Executive directors:					
Mr. Zheng Zhenzhong (note a)	—	360	7	367	
Mr. Chen Kan (note b)	—	168	7	175	
Mr. Zheng Guosi (note c)	—	168	7	175	

For the year ended 31 December 2017

	Directors' fees <i>RMB'000</i>	Salaries allowance and benefits in kind <i>RMB'000</i>	Retirement scheme contribution <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:				
Mr. Zheng Zhenzhong (<i>note a</i>)	—	385	7	392
Mr. Chen Kan (<i>note b</i>)	—	155	7	162
Mr. Zheng Guosi (<i>note c</i>)	—	161	7	168
	<u>—</u>	<u>601</u>	<u>14</u>	<u>615</u>

Notes:

- (a) Mr. Zheng Zhenzhong was the director of Jiujiuwang Food, Jiujiuwang Co. and Coolsa Food during the Track Record Period and appointed as an Executive Director and the chairman of the Company in February 2017
- (b) Mr. Chen Kan joined the Group in December 2012 and was appointed as an Executive Director of the Company in January 2019
- (c) Mr. Zheng Guosi was the director of Jiujiuwang Food, Jiujiuwang Co. and Coolsa Food during the Track Record Period and appointed as an Executive Director and the chairman of the Company in February 2017

(b) Five highest paid individuals

The five highest paid employees of the Group included 1, 1, 1, 1 and 1 director with the emoluments disclosed as above, for the three years ended 31 December 2019 and eight months ended 31 August 2019 and 2020 respectively. The emoluments of the remaining individual are analysed as follows:

	For the year ended 31 December			For the period ended 31 August	
	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>
Director	392	367	389	251	240
Non-director	<u>1,504</u>	<u>1,376</u>	<u>1,422</u>	<u>931</u>	<u>955</u>
	<u>1,896</u>	<u>1,743</u>	<u>1,811</u>	<u>1,182</u>	<u>1,195</u>

Details of the remuneration of the above non-director, highest paid employees during the Track Record Period are as follow:

	For the year ended 31 December			For the period ended 31 August	
	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, allowance and benefit in kind	1,476	1,350	1,251	836	831
Retirement scheme contributions	<u>28</u>	<u>26</u>	<u>171</u>	<u>95</u>	<u>124</u>
	<u>1,504</u>	<u>1,376</u>	<u>1,422</u>	<u>931</u>	<u>955</u>

During the Track Record Period, the remuneration of the five highest paid individual, included 1, 1, 1, 1 and 1 director, are within following bands:

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
Emolument band					
Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

(c) **Senior management of the Group**

The emoluments of the senior management of the Company are within the following band:

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the director and non-director, highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the director, non-director, highest paid employees and senior management waived or agreed to waive any emoluments during the Track Record Period.

12. TAXATION

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The taxation charge comprises:					
Current tax					
— PRC Enterprise Income Tax	15,804	14,778	16,067	10,266	8,907
Deferred taxation	<u>—</u>	<u>(42)</u>	<u>(62)</u>	<u>84</u>	<u>140</u>
Total tax expenses for the year/period	<u>15,804</u>	<u>14,736</u>	<u>16,005</u>	<u>10,350</u>	<u>9,047</u>

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Hong Kong Profits Tax is calculated at 16.5% for the estimated assessable profits for the year ended 31 December 2017.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the Track Record Period.

The PRC

The PRC Enterprise Income Tax ("PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January onwards. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the Track Record Periods can be reconciled to profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended 31 December			For the period ended 31 August	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000 (unaudited)	2020 RMB'000
Profit before taxation	<u>62,219</u>	<u>53,422</u>	<u>59,201</u>	<u>35,627</u>	<u>34,865</u>
Tax at the PRC enterprise income tax rate of 25%	15,555	13,356	14,800	8,907	8,716
Effect of difference tax rate in other countries	9	342	451	365	50
Tax effect of income not taxable	—	—	—	(84)	(140)
Tax effect of expenses not deductible for tax purpose	240	1,080	816	807	281
Tax of unrecognised temporary difference	<u>—</u>	<u>(42)</u>	<u>(62)</u>	<u>84</u>	<u>140</u>
	<u>15,804</u>	<u>14,736</u>	<u>16,005</u>	<u>10,079</u>	<u>9,047</u>

13. DIVIDENDS

No dividend was declared or paid by the Group during the Track Record Period.

14. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculations of earnings per share for the three years ended 31 December 2019 and eight months ended 31 August 2020 are based on the profit attributable to owners of the Company of approximately RMB46,415,000, RMB38,686,000, RMB43,196,000 and RMB25,848,000 respectively, and on the basis of 594,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue as described in the session headed "Share Capital" set out in the Prospectus, as if these shares had been issued throughout the Track Record Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2017	150,780	99,953	2,450	2,639	—	255,822
Additions	—	8,570	58	—	—	8,628
Disposals	—	—	—	(152)	—	(152)
As at 31 December 2017 and 1 January 2018	150,780	108,523	2,508	2,487	—	264,298
Additions	—	24,259	—	—	32,802	57,061
Disposals	—	(9,368)	—	—	—	(9,368)
As at 31 December 2018 and 1 January 2019	150,780	123,414	2,508	2,487	32,802	311,991
Additions	—	17,242	—	—	27,118	44,360
Disposals	—	—	(210)	—	—	(210)
Transfer of construction in progress	9,125	23,795	—	—	(32,920)	—
As at 31 December 2019 and 1 January 2020	159,905	164,451	2,298	2,487	27,000	356,141
Additions	—	208	339	—	5,692	6,239
Disposals	—	(224)	(343)	—	—	(567)
As at 31 August 2020	159,905	164,435	2,294	2,487	32,692	361,813
Accumulated depreciation						
As at 1 January 2017	25,307	57,317	1,790	1,371	—	85,785
Charge for the year	3,582	6,380	276	216	—	10,454
Disposals	—	—	—	(144)	—	(144)
As at 31 December 2017 and 1 January 2018	28,889	63,697	2,066	1,443	—	96,095
Charge for the year	3,583	7,505	160	211	—	11,459
Disposals	—	(8,899)	—	—	—	(8,899)
As at 31 December 2018	32,472	62,303	2,226	1,654	—	98,655
Charge for the year	4,823	12,299	104	211	—	17,437
Disposals	—	—	(210)	—	—	(210)
As at 31 December 2019	37,295	74,602	2,120	1,865	—	115,882
Charge for the period	2,713	8,146	39	141	—	11,039
Disposals	—	(213)	(326)	—	—	(539)
As at 31 August 2020	40,008	82,535	1,833	2,006	—	126,382
Net book values						
As at 31 December 2017	121,891	44,826	442	1,044	—	168,203
As at 31 December 2018	118,308	61,111	282	833	32,802	213,336
As at 31 December 2019	122,610	89,849	178	622	27,000	240,259
At 31 August 2020	119,897	81,900	461	481	32,692	235,431

As at 31 December 2017, 2018, 2019 and 31 August 2020, the Group's buildings and plant and machinery with a carrying amounts of approximately RMB121,891,000, RMB118,308,000, RMB187,957,000 and RMB179,463,000 respectively have been pledged as securing credit facilities granted to the bank.

During the year ended 31 December 2018 and 2019, the additions of construction in progress of approximately RMB32,802,000 and RMB27,118,000 represented the buildings and plant and machinery in the course of construction for production of its own use in the PRC.

16. PREPAID LEASE PAYMENTS/RIGHT-OF-USE ASSETS

	As at 31 December			As at
	2017	2018	2019	31 August
	RMB'000	RMB'000	RMB'000	2020
Analysed for reporting purposes as:				RMB'000
Non-current assets	9,882	23,985	23,985	23,599
Current assets	<u>280</u>	<u>579</u>	<u>—</u>	<u>—</u>
	<u>10,162</u>	<u>24,564</u>	<u>23,985</u>	<u>23,599</u>

The prepaid lease payments/right-of-use assets are land use rights located in the PRC which are under long term lease.

The consolidated statement of profit or loss and other comprehensive income contains the following amounts relating to leases:

	For the year ended 31 December			For the period ended	
	2017	2018	2019	31 August	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Amortisation of prepaid lease payments	340	537	—	—	—
Depreciation of right-of-use assets	<u>—</u>	<u>—</u>	<u>579</u>	<u>386</u>	<u>386</u>
	<u>340</u>	<u>537</u>	<u>579</u>	<u>386</u>	<u>386</u>

During the year ended 31 December 2017, the Group disposed prepaid lease payments of approximately RMB1,873,000. During the year ended 31 December 2018, the Group has additional prepaid lease payment of approximately RMB14,939,000.

The Group's prepaid lease payments/right-of-use assets amounts are the payments for land use rights situated in the PRC. The leasehold lands have lease term of 50 years and the Group has processed the land use rights of the leasehold during the lease term.

As at 31 December 2017, 2018, 2019 and 31 August 2020, prepaid lease payments/right-of-use assets for land use rights of approximately RMB10,162,000, RMB24,564,000, RMB23,985,000 and RMB23,599,000 respectively have been pledged as securing credit facilities granted to the bank.

Upon application of HKFRS 16 on 1 January 2019, the prepaid lease payments were reclassified as right-of-use assets.

17. INVENTORIES

	As at 31 December			As at
	2017	2018	2019	31 August
	RMB'000	RMB'000	RMB'000	2020
Raw materials	45,078	44,813	44,738	54,706
Work in progress	5,954	8,776	11,754	5,885
Finished goods	<u>26,835</u>	<u>21,156</u>	<u>17,299</u>	<u>20,127</u>
	<u>77,867</u>	<u>74,745</u>	<u>73,791</u>	<u>80,718</u>

18. TRADE RECEIVABLES

	As at 31 December			As at
	2017	2018	2019	31 August
	RMB'000	RMB'000	RMB'000	2020
Trade receivables	78,938	90,296	106,645	94,847
Less: allowance for expected credit losses	<u>—</u>	<u>(781)</u>	<u>(1,029)</u>	<u>(467)</u>
	<u>78,938</u>	<u>89,515</u>	<u>105,616</u>	<u>94,380</u>

The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period of 0 days to 180 days to its customers.

Ageing analysis of trade receivables (net of allowance for expected credit losses) presented, based on invoice date, as at the end of each of the reporting periods is as follows:

	As at 31 December			As at
	2017	2018	2019	31 August
	RMB'000	RMB'000	RMB'000	2020
Within 30 days	20,815	25,995	35,808	38,767
31-60 days	22,673	30,028	22,765	28,164
61-90 days	18,617	23,572	26,756	19,533
91-180 days	14,653	6,761	20,287	7,916
181-365 days	1,023	1,393	—	—
Over 365 days	<u>1,157</u>	<u>1,766</u>	<u>—</u>	<u>—</u>
	<u>78,938</u>	<u>89,515</u>	<u>105,616</u>	<u>94,380</u>

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on an individual basis. Credit limited attributed to customers are reviewed when necessary. All of the Group's trade receivables that are past due but not impaired have no history of defaulting on repayment. As at 31 December 2017, 2018, 2019 and 31 August 2020, the Group does not charge interest nor hold any collateral over the balances.

Past due but not impaired

Trade receivables disclosed above include amounts which are past due at the end of each of the Track Record Periods for which the Group has not recognised an allowance for doubtful debts since there were subsequent settlement or no historical default of payments by the respective customers and the amounts are considered recoverable. The Group does not hold any collateral over these balances. The ageing analysis of the trade receivables that are past due but not impaired as at the end of each of the reporting periods is as follows:

	As at 31 December 2017 <i>RMB'000</i>
Within 30 days	1,893
31–60 days	561
61–90 days	1,395
91–180 days	476
181–365 days	607
>365 days	<u>1,157</u>
	<u><u>6,089</u></u>

Prior to the application of HKFRS 9 on 1 January 2018, in determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period and no impairment is considered necessary for those balance which are not past due at each reporting date.

Included in the Group trade receivables with an aggregate carrying amount of RMB6,089,000 as at 31 December 2017 which were past due at the reporting date but for which the Group has not provided for impairment loss as the Group considered such balance could be recovered based on the repayment history.

Upon the application of HKFRS 9 on 1 January 2018, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these item by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table details the risk profile of trade receivables:

Movement in the allowance for expected credit losses on trade receivables

Movement in lifetime ECL that has been recognised for trade receivables in accordance with simplified approach set out in HKFRS 9 for the years ended 31 December 2018, 2019 and 31 August 2020.

	Total <i>RMB'000</i>
Balance as at 31 December 2017 under HKAS 39	—
Adjustment upon application of HKFRS 9	<u>611</u>
Adjusted balance as at 1 January 2018	611
Expected credit loss ("ECL")	<u>170</u>
Balance as at 31 December 2018	781
ECL	<u>248</u>
Balance as at 31 December 2019	1,029
ECL	<u>(562)</u>
Balance as at 31 August 2020	<u><u>467</u></u>

Details of the assessment of ECL was set out in note 34.

19. PREPAYMENTS AND OTHER RECEIVABLES**The Group**

	As at 31 December			As at
	2017	2018	2019	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments (<i>Note</i>)	27,596	1,362	8,410	32,398
Other receivables	<u>847</u>	<u>263</u>	<u>1,001</u>	<u>720</u>
	<u><u>28,443</u></u>	<u><u>1,625</u></u>	<u><u>9,411</u></u>	<u><u>33,118</u></u>

Note: Include in prepayments, approximately RMB26,698,000, nil, RMB3,125,000 and RMB27,113,000 represented the prepayments for purchase of raw material as at 31 December 2017, 2018, 2019 and 31 August 2020 respectively.

The Company

	As at 31 December			As at
	2017	2018	2019	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	<u>—</u>	<u>1,363</u>	<u>3,015</u>	<u><u>3,032</u></u>

20. AMOUNT DUE FROM/(TO) A DIRECTOR

	Maximum during the year RMB'000	31 December 2017 RMB'000	Maximum during the year RMB'000	31 December 2018 RMB'000	Maximum during the year RMB'000	31 December 2019 RMB'000	Maximum during the period RMB'000	31 August 2020 RMB'000
Director:								
Mr. Zheng Zhenzhong	<u>103,606</u>	<u>98,025</u>	<u>158,000</u>	<u>(2,686)</u>	<u>—</u>	<u>(7,575)</u>	<u>—</u>	<u>(8,289)</u>

The amount due from/(to) a director was non-trade in nature unsecured, interest free and repayable on demand and the balance as at 31 December 2017 has been settled by cash and offset of the consideration of equity interest in Jiujiuwang Food to Coolsa Food.

The amount due to a director will be settled upon Listing.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents carry interest at prevailing market saving rates approximately 0.1% to 0.2% per annum as at 31 December 2017, 2018, 2019 and 31 August 2020.

Included in the cash and cash equivalents as at 31 December 2017, 2018, 2019 and 31 August 2020 were amounts in RMB of approximately RMB33,392,000, RMB39,650,000, RMB37,677,000 and RMB22,121,000 which were placed with the banks in the PRC respectively. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restriction imposed by the PRC government. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulation, the Group is permitted to exchange for foreign currencies through the banks that are authorised to conduct foreign exchange business.

22. TRADE PAYABLES AND BILLS PAYABLE

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	<u>34,751</u>	<u>29,510</u>	<u>18,931</u>	<u>4,799</u>

Credit periods of trade payables normally granted by its suppliers were up to 60 days throughout the Track Record Period.

(i) Ageing analysis of trade payables, based on invoice date, at the end of the reporting period is as follows:

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 30 days	17,818	27,770	16,997	4,289
31-60 days	13,465	1,740	1,934	510
61-90 days	3,468	—	—	—
91-180 days	—	—	—	—
181-365 days	—	—	—	—
Over 365 days	—	—	—	—
	<u>34,751</u>	<u>29,510</u>	<u>18,931</u>	<u>4,799</u>

- (ii) During the Track Record Period, the bills payable amounting to approximately RMB44,240,000, RMB3,000,000, RMB5,000,000 and nil, respectively were secured by pledged bank deposits of approximately RMB13,772,000, nil, RMB5,000,000 and nil, respectively. For the year ended 31 December 2018, the bills payable were secured by personal guarantee from shareholder.

The bills payable were with maturity period within 1 year.

23. ACCRUALS AND OTHER PAYABLES

The Group

	As at 31 December			As at
	2017	2018	2019	31 August
	RMB'000	RMB'000	RMB'000	2020
Accruals	3,668	3,177	3,568	3,106
Other payables	332	1,940	8,595	7,530
	<u>4,000</u>	<u>5,117</u>	<u>12,163</u>	<u>10,636</u>

The Company

	As at 31 December			As at
	2017	2018	2019	31 August
	RMB'000	RMB'000	RMB'000	2020
Other payables	—	1,383	5,015	4,628

24. CONTRACT LIABILITIES

The following table provides information about contract liabilities from contract with customers:

	As at 31 December			As at
	2017	2018	2019	31 August
	RMB'000	RMB'000	RMB'000	2020
Contract liabilities:				
Advance from customers	<u>2,784</u>	<u>3,124</u>	<u>2,746</u>	<u>—</u>
Balance at 1 January	2,610	2,784	3,124	2,746
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(2,610)	(2,784)	(3,124)	(2,746)
Increase in contract liabilities excluding amounts recognised as revenue during the year/period	<u>2,784</u>	<u>3,124</u>	<u>2,746</u>	<u>—</u>
	<u>2,784</u>	<u>3,124</u>	<u>2,746</u>	<u>—</u>

The contract liabilities represent the Group's obligation to transfer goods for which the Group has received consideration, or for which an amount of consideration is due from customers.

- (g) As at 31 December 2019, the secured bank loans of approximately RMB28,500,000 was secured by personal guarantee by directors of the Company and personal guarantee by the related parties of the Company and corporate guarantee by independent third parties.
- (h) As at 31 December 2019, the secured bank loans of approximately RMB5,000,000 was secured by personal guarantee by directors of the Company and personal guarantee by the related parties of the Company.
- (i) As at 31 December 2018, the secured bank loans of approximately RMB40,000,000 was secured by personal guarantee by directors of the Company and corporate guarantee by independent third parties.
- (j) As at 31 December 2018, the secured bank loans of approximately RMB124,500,000 was secured by prepaid-lease payments, property, plant and equipment and personal guarantee by directors of the Company.
- (k) As at 31 December 2018, the secured bank loans of approximately RMB30,500,000 was secured by prepaid-lease payments, property, plant and equipment, personal guarantee by directors of the Company and personal and corporate guarantee by independent third parties.
- (l) As at 31 December 2018, the secured bank loans of approximately RMB29,950,000 was secured by personal guarantee by directors of the Company, personal guarantee by the related parties of the Company and corporate guarantee by independent third parties.
- (m) As at 31 December 2018, the secured bank loan of approximately RMB2,000,000 was secured by corporate and personal guarantee by independent third parties.
- (n) As at 31 December 2017, the secured bank loans of approximately RMB40,000,000 was secured by personal guarantee by directors of the Company and corporate guarantee by independent third parties.
- (o) As at 31 December 2017, the secured bank loans of approximately RMB125,000,000 was secured by prepaid-lease payments, property, plant and equipment and personal guarantee by directors of the Company.
- (p) As at 31 December 2017, the secured bank loans of approximately RMB24,000,000 was secured by prepaid-lease payments, property, plant and equipment, personal guarantee by directors of the Company and personal and corporate guarantee by independent third parties.
- (q) All the above secured bank loans were secured by personal guarantee by directors of the Company, related parties and independent third parties and corporate guarantee by independent third parties will be released upon Listing and replaced by corporate guarantee given by the Company.

The range of interest rates on the Group's bank borrowings are as follows:

	As at 31 December			As at
	2017	2018	2019	31 August
	%	%	%	2020
				%
Secured bank borrowings	<u>5.66–8.40</u>	<u>5.22–7.80</u>	<u>5.00–7.80</u>	<u>5.00–7.50</u>

26. SHARE CAPITAL

Incorporation of the Company

The Company was incorporated and registered as an exempted company in the Cayman Islands on 21 February 2017 with an authorised share capital of US\$51,546.4 divided into 515,464 shares of a nominal value of US\$0.1 each.

For the purpose of the presentation of the consolidated statements of financial position; (i) the balance of share capital of the Group as at 31 December 2017 represents the issued share capital of the Company, Coolsa Food, Jiujiuwang Food and Jiujiuwang Co.; (ii) the balance of share capital of the Group as at 31 December 2018 represents the issued share capital of the Company and Jiujiuwang Co., being the combined capital of the companies now comprising the Group after elimination of inter-company investment.

27. DEFERRED TAX ASSETS

For the purpose of presentation, in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances for financial reporting purposes:

	Allowance for expected credit losses on trade receivables <i>RMB'000</i>
At 31 December 2017	—
Remeasurement under HKFRS 9	<u>153</u>
At 1 January 2018	153
Credited to consolidated statement of profit or loss and other comprehensive income	<u>42</u>
At 31 December 2018	195
Credited to consolidated statement of profit or loss and other comprehensive income	<u>62</u>
At 31 December 2019	257
Credited to consolidated of profit or loss and other comprehensive income	<u>(140)</u>
At 31 August 2020	<u><u>117</u></u>

Under the EIT Law of the PRC, withholding tax is imposed on dividend declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At 31 December 2017, 2018, 2019 and 31 August 2020, deferred taxation has not been provided for the Historical Financial Information in respect of temporary difference attributable to retained earnings of the PRC subsidiaries amounting to RMB116,679,000, RMB154,380,000, RMB198,163,000 and RMB221,716,000, respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cashflow were, or future cashflows will be classified in the Group's consolidated statements of cash flows from financing activities.

	Bank borrowing <i>RMB'000</i>	Bills payable <i>RMB'000</i>	Amount due to a director <i>RMB'000</i>
At 1 January 2017	179,000	—	—
Interest accrued	11,808	—	—
Interest paid	(11,808)	—	—
Financing cash inflows	<u>10,000</u>	<u>44,240</u>	<u>—</u>
At 31 December 2017 and 1 January 2018	189,000	44,240	—
Interest accrued	13,547	—	—
Interest paid	(13,547)	—	—
Financing cash outflows	—	(41,240)	—
Financing cash inflows	<u>37,950</u>	<u>—</u>	<u>2,686</u>
At 31 December 2018	<u>226,950</u>	<u>3,000</u>	<u>2,686</u>
Interest accrued	14,470	—	—
Interest paid	(14,470)	—	—
Financing cash outflows	(1,950)	—	—
Financing cash inflows	<u>—</u>	<u>2,000</u>	<u>4,889</u>
At 31 December 2019	<u>225,000</u>	<u>5,000</u>	<u>7,575</u>
Interest accrued	5,865	—	—
Interest paid	(5,865)	—	—
Financing cash outflows	(4,080)	(5,000)	—
Financing cash inflows	<u>—</u>	<u>—</u>	<u>714</u>
At 31 August 2020	<u>220,920</u>	<u>—</u>	<u>8,289</u>

29. RESERVES**The Group**

Details of the movements in the reserves of the Group during the Track Record Period are set out in the consolidated statements of changes in equity.

The Company

Details of the movements of the reserves of the Company during the Track Record Period are set out as below:

	Capital reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2017	—	—	—	—
Loss for the year	—	—	(92)	(92)
Other comprehensive loss for the year	—	(14)	—	(14)
Total comprehensive loss for the year	—	(14)	(92)	(106)
At 31 December 2017 and 1 January 2018	—	(14)	(92)	(106)
Loss for the year	—	—	(3,645)	(3,645)
Other comprehensive loss for the year	—	(175)	—	(175)
Total comprehensive loss for the year	—	(175)	(3,645)	(3,820)
Issue of share capital	3,990	—	—	3,990
At 31 December 2018 and 1 January 2019	<u>3,990</u>	<u>(189)</u>	<u>(3,737)</u>	<u>64</u>
Loss for the year	—	—	(5,087)	(5,087)
Other comprehensive income for the year	—	327	—	327
At 31 December 2019 and 1 January 2020	3,990	138	(8,824)	(4,696)
Loss for the period	—	—	(580)	(580)
Other comprehensive loss for the period	—	143	—	143
At 31 August 2020	<u>3,990</u>	<u>281</u>	<u>(9,404)</u>	<u>(5,133)</u>

30. RETIREMENT BENEFIT PLANS

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

31. PLEDGE OF ASSETS

As at 31 December 2017, 2018, 2019 and 31 August 2020, the following assets of the Group were pledged to banks to secure the bank borrowings granted to the Group.

	As at 31 December			As at
	2017	2018	2019	31 August
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Building	121,891	118,308	122,610	119,897
Plant and machinery	—	—	65,347	59,566
Right-of-use assets	—	—	23,985	23,599
Prepaid lease payments	10,162	24,564	—	—
	<u>132,053</u>	<u>142,872</u>	<u>211,942</u>	<u>203,062</u>

32. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclose elsewhere in the consolidated financial statement, the material related party transaction included below:

(a) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the Track Record Period is set out in Note 11.

(b) Names and relationships of the related parties that had materials transactions with the Group during the Track Record Period and balances with the Group at the end of each reporting period.

Name of the related parties	Relationship with the Group
Mr. Zheng Zhenzhong	Chairman, director and controlling shareholder
Mr. Zheng Guosi	Director and controlling shareholder
Mr. Zheng Guodian	Controlling shareholder
Ms. Su Li	Mr. Zheng Zhenzhong's spouse
Ms. Wu Zihong	Mr. Zheng Guosi's spouse
Ms. Hong Mali	Mr. Zheng Guodian's spouse

(c) Financial guarantee

As at 31 December 2017 and 2018, 2019 and 31 August 2020. Mr. Zheng Zhenzhong, Mr. Zheng Guosi, Mr. Zheng Guodian and their spouses provided unlimited personal guarantee to the banking facilities of the Group's bank borrowing amounted to RMB189.0 million, RMB225.0 million, RMB33.5 million and RMB33.5 million respectively. All such guarantees are expected to be released upon listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited.

Further details of financial guarantee are disclosure in Note 25.

(d) Amount due from/(to) a director — Group and Company

The amount due from/(to) a director of the Group and the Company are non trade nature, unsecured, interest-free and receivable on demand. The carrying value of these balances at each of the reporting period approximate their fair values.

The carrying amounts of these balances of the Group are denominated in RMB.

(e) **Transactions with related party during the Track Record Period:**

	For the year ended 31 December			For the period ended 31 August	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue received from G&B (<i>note</i>)	<u>78,835</u>	<u>95,764</u>	<u>98,733</u>	<u>60,235</u>	<u>47,467</u>
Trade receivable from G&B	<u>35,238</u>	<u>32,880</u>	<u>38,275</u>	<u>34,021</u>	<u>30,426</u>

Note: On 5 December 2018, the disposal by Mr. Zheng Guosi of all of his equity interest in G&B to an Independent Third Party was completed. As at the Latest Practicable Date, Mr. Zheng Guosi held no equity interest in G&B and G&B was not a related party of the Company since the date of disposal.

33. CAPITAL COMMITMENTS

As at 31 December 2017, 2018, 2019 and 31 August 2020, the Group had capital commitment of approximately nil and RMB1,378,000 and RMB15,000,000 and RMB15,000,000 respectively in respect of acquisition of property, plant and equipment.

34. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. Overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

(a) **Categories of financial assets and liabilities**

	As at 31 December			As at
	2017	2018	2019	31 August
	RMB'000	RMB'000	RMB'000	2020
Financial assets				
Loans and receivables (including cash and cash equivalents)/amortised cost:				
Trade receivables	78,938	89,515	105,616	94,380
Prepayment and other receivables	847	263	1,001	720
Amount due from a director	98,025	—	—	—
Cash and cash equivalents	<u>33,604</u>	<u>43,393</u>	<u>37,684</u>	<u>22,275</u>
	<u>211,411</u>	<u>133,171</u>	<u>144,301</u>	<u>117,375</u>

	As at 31 December			As at
	2017	2018	2019	31 August
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Financial liabilities				
Amortised cost:				
Trade payables	34,751	29,510	18,931	4,799
Bills payable	44,240	3,000	5,000	—
Accruals and other payables	4,000	5,117	12,163	10,636
Amount due to a director	—	2,686	7,575	8,289
Bank borrowings	<u>189,000</u>	<u>226,950</u>	<u>225,000</u>	<u>220,920</u>
	<u>271,991</u>	<u>267,263</u>	<u>268,669</u>	<u>244,644</u>

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk in relation to cash and cash equivalent and variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Group's RMB denominated borrowings. The Group does not have a formulated policy to manage the interest rate risk but will closely monitor the interest rate risk exposure in the future.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on cash and cash equivalent and the variable rate on bank borrowings. The analysis is prepared assuming the bank borrowings outstanding at the ended of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the Track Record Period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017, 2018, 2019 and 31 August 2020 would decrease/increase by approximately RMB339,000, RMB539,000, nil and nil respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(c) Credit risk*Under HKAS 39 and HKFRS 9*

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 90.9%, 80.0%, 81.5% and 94.5% of the trade receivable as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivables balances accounted for 74.2%, 67.0%, 67.4% and 57.1%, respectively of the trade receivables and the largest trade receivable was 44.6%, 36.7%, 35.9% and 32.1%, respectively of the Group's total trade receivables for the Track Record Period.

The Group also has concentration of credit risk on bank balances which are deposited with several banks with high credit ratings as set out in note 21. The credit risk on bank balances is limited because the counterparties are reputable financial institutions with high credit rating.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

Under HKAS 39

In order to minimise the credit risk on trade receivables, other receivables and deposits and amount due from a director, management makes periodic individual assessment under incurred loss model on the recoverability of other receivables based on historical settlement records and past experience. The management of the Group considers that there is no material credit risk inherent in the Group's outstanding balances of other receivables. In addition, the credit risk on amount due from a director is reduced as the Group can closely monitor the repayment of the related party. Other than concentration of credit risk on the trade receivables and bank balances, the Group has no other significant concentration risk on recognised financial assets with exposure spread over a number of counterparties.

Under HKFRS 9

Starting from 1 January 2018, the Group reassess the lifetime ECL for trade receivables at the end of each reporting period to ensure that adequate impairment losses are made for significant increases in the likelihood or risk of a default occurring since initial recognition. In this regard, management of the Group considers that the Group's credit risk is significantly reduced. From 1 January 2018, the Group applied ECL model upon adoption of HKFRS 9. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis.

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, it considers available reasonable the supportive forwarding looking information, including the below indicators:

- internal credit rating based on historical information
- actual or expected significant changes in the operating results of the debtors
- significant changes in the expected performance and behaviour of the debtors, including changes in the debtors' ability to meet its debt obligations.

The Group applies individual assessment to measure the expected credit losses prescribed by HKFRS 9. The expected credit loss rates applied in the individual assessment are derived according to internal credit rating, by reference to the Group's historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

At 1 January 2018	Trade receivables — day past due							Total
	Not past due	Within 30 days	31–60 days	61–90 days	91–180 days	181–365 days	Over 365 days	
Expected credit losses ("ECL") rate	0.37%	1.69%	2.13%	5.30%	7.14%	9.06%	11.67%	0.77%
Gross carrying amount (RMB'000)	72,849	1,893	561	1,395	476	607	1,157	78,938
Lifetime ECL (RMB'000)	(269)	(32)	(12)	(74)	(34)	(55)	(135)	(611)
	<u>72,580</u>	<u>1,861</u>	<u>549</u>	<u>1,321</u>	<u>442</u>	<u>552</u>	<u>1,022</u>	<u>78,327</u>

	Trade receivables — day past due							Total
	Not past due	Within 30 days	31–60 days	61–90 days	91–180 days	181–365 days	Over 365 days	
At 31 December 2018								
ECL rate	0.34%	2.12%	2.76%	4.21%	7.67%	9.42%	14.81%	0.86%
Gross carrying amount (RMB'000)	80,880	2,552	2,718	1,330	874	754	1,188	90,296
Lifetime ECL (RMB'000)	(282)	(54)	(75)	(56)	(67)	(71)	(176)	(781)
	<u>80,598</u>	<u>2,498</u>	<u>2,643</u>	<u>1,274</u>	<u>807</u>	<u>683</u>	<u>1,012</u>	<u>89,515</u>
At 31 December 2019								
ECL rate	0.25%	3.23%	5.18%	9.91%	N/A	N/A	N/A	0.96%
Gross carrying amount (RMB'000)	93,667	4,119	4,479	4,380	—	—	—	106,645
Lifetime ECL (RMB'000)	(230)	(133)	(232)	(434)	—	—	—	(1,029)
	<u>93,437</u>	<u>3,986</u>	<u>4,247</u>	<u>3,946</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>105,616</u>
At 31 August 2020								
ECL rate	0.41%	4.20%	6.59%	N/A	N/A	N/A	N/A	0.49%
Gross carrying amount (RMB'000)	93,212	952	683	—	—	—	—	94,847
Lifetime ECL (RMB'000)	(382)	(40)	(45)	—	—	—	—	(467)
	<u>92,830</u>	<u>912</u>	<u>638</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>94,380</u>

For other receivables and amount due from a director, the Group has assessed and concluded that the expected credit loss rate for these financial assets is immaterial under general approach based on the Group's assessment on the risk of the default of that counterparty. Thus, no loss allowance for credit losses for the amounts is recognised at the initial of application, i.e. 1 January 2018 or during the year ended 31 December 2018, 2019 and the period ended 31 August 2020.

(d) Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2017						
Non-derivative financial liabilities						
Trade payables	—	34,751	—	—	34,751	34,751
Bills payable	—	44,240	—	—	44,240	44,240
Accruals and other payables	—	4,000	—	—	4,000	4,000
Bank borrowings	6.30%	200,907	—	—	200,907	189,000
		<u>283,898</u>	<u>—</u>	<u>—</u>	<u>283,898</u>	<u>271,991</u>
Financial guarantee issued:						
— Maximum amount guaranteed (note)		<u>9,100</u>	<u>—</u>	<u>—</u>	<u>9,100</u>	<u>9,100</u>
As at 31 December 2018						
Non-derivative financial liabilities						
Trade payables	—	29,510	—	—	29,510	29,510
Bills payables	—	3,000	—	—	3,000	3,000
Accruals and other payables	—	5,117	—	—	5,117	5,117
Amount due to a director	—	2,686	—	—	2,686	2,686
Bank borrowings	6.49%	241,679	—	—	241,679	226,950
		<u>281,992</u>	<u>—</u>	<u>—</u>	<u>281,992</u>	<u>267,563</u>
Financial guarantee issued:						
— Maximum amount guaranteed (note)		<u>4,600</u>	<u>—</u>	<u>—</u>	<u>4,600</u>	<u>4,600</u>
As at 31 December 2019						
Non-derivative financial liabilities						
Trade payables	—	18,931	—	—	18,931	18,931
Bills payables	—	5,000	—	—	5,000	5,000
Accruals and other payables	—	12,163	—	—	12,163	12,163
Amount due to a director	—	7,575	—	—	7,575	7,575
Bank borrowings	6.34%	239,265	—	—	239,265	225,000
		<u>282,934</u>	<u>—</u>	<u>—</u>	<u>282,934</u>	<u>268,669</u>
Financial guarantee issued:						
— Maximum amount guaranteed (note)		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As at 31 August 2020						
Non-derivative financial liabilities						
Trade payables	—	4,799	—	—	4,799	4,799
Accruals and other payables	—	10,636	—	—	10,636	10,636
Amount due to a director	—	8,289	—	—	8,289	8,289
Bank borrowings	5.95%	234,065	—	—	234,065	220,920
		<u>257,789</u>	<u>—</u>	<u>—</u>	<u>257,789</u>	<u>244,644</u>
Financial guarantee issued:						
— Maximum amount guaranteed (note)		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Note: The amounts included above for financial guarantee contracts are the maximum amounts the subsidiary of the Company, Jiujiuwang Food could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the subsidiary of the Company, Jiujiuwang Food considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(e) Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used).

The different level are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

No analysis on fair value hierarchy is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the Track Record Period.

There was no transfer between Level 1 and Level 2 during the Track Record Period.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's consolidated statements of financial position approximate of their fair values.

35. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods commensurately with the level of risk.

The Group activity and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as bank borrowings and bills payable less cash and cash equivalents. In order to maintain or adjust the ratio, the Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2017, 2018, 2019 and 31 August 2020.

The Group's net debt to equity ratio at the reporting period was as follows:

	As at 31 December			As at
	2017	2018	2019	31 August
	RMB'000	RMB'000	RMB'000	2020
Bank borrowings	189,000	226,950	225,000	220,920
Bills payable	44,240	3,000	5,000	—
Less: cash and cash equivalents	<u>(33,604)</u>	<u>(43,393)</u>	<u>(37,684)</u>	<u>(22,275)</u>
Net debt	<u>199,636</u>	<u>186,557</u>	<u>192,316</u>	<u>198,645</u>
Total equity	<u>215,530</u>	<u>172,553</u>	<u>216,068</u>	<u>242,159</u>
Net debt to equity ratio	<u>0.93</u>	<u>1.08</u>	<u>0.89</u>	<u>0.82</u>

36. INTEREST IN SUBSIDIARIES

At the date of this report, the Group has equity interests in the following subsidiaries:

Name of Companies	Date and place of establishment	Paid up registered Capital	Equity interest attributable to the Group				Principal activity
			As at December 31			At the date of this report	
			2017	2018	2019		
Junwo Limited	24 May 2017, Hong Kong	HK\$10,000	100%	100%	100%	100%	Investment Holding
Coolsa Food*	10 April 2017, PRC	RMB5,000,000	N/A	100%	100%	100%	Marketing and sales
Jiujiuwang Food*	4 July 1999, PRC	RMB80,000,000	100%	100%	100%	100%	Manufacturing confectionary products
Jiujiuwang Co*	25 November 2014, PRC	RMB Nil	100%	100%	100%	100%	Dormant

* *English name for identification only*

Note:

- No audited financial statements have been prepared for the Company and the Company incorporated in the BVI since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.
- The companies comprising the Group has adopted 31 December as their financial year end date. The statutory financial statements of the following subsidiaries for the Track Record Period were prepared in accordance with the relevant accounting principles and financial regulations applicable to the respective jurisdictions and were audited by the following Certified Public Accountants.

Name	Financial year ended	Name of auditor
Junwo Limited	31 December 2017, 2018 and 2019	HLB Hodgson Impey Cheng Limited
Jiujiuwang Food	31 December 2017	廈門東友會計師事務所有限公司
Jiujiuwang Co	31 December 2018	晉江市新萬達聯合會計師事務所
Jiujiuwang Food	31 December 2018	廈門市怡嘉順會計師事務所有限公司
Coolsa Food	31 December 2018	廈門柏譽聯合會計師事務所(普通合伙)
Jiujiuwang Co	31 December 2019	廈門市梓西會計師事務所合伙企業(普通合伙)
Coolsa Food	31 December 2019	廈門市梓西會計師事務所合伙企業(普通合伙)
Jiujiuwang Food	31 December 2019	廈門市梓西會計師事務所合伙企業(普通合伙)

37. EVENTS AFTER THE REPORTING DATE

- (a) Since January 2020, the outbreak of the COVID-19 epidemic, which has impacted the Group financial performance for the eight months ended 31 August 2020 when compared to that for the corresponding period in 2019. Up to the date of these financial statements, COVID-19 has not resulted in material impact to the Group after the reporting period. Subject to the development and spread of COVID-19 subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.
- (b) On 12 October 2020, Jiujiuwang Food provided a counter guarantee by way of pledge of certain property, plant and equipment of a carrying amount of approximately RMB4.4 million in respect of a bank loan, with a principal amount of RMB5.0 million, granted to Mr. Zheng Guodian. The counter guarantee has been terminated with immediate effect on 10 December 2020. The directors consider that the financial impacts of the counter guarantee was insignificant.
- (c) On 18 February 2021, the written resolutions as detailed in Appendix VI “Statutory and General Information” in the Prospectus was duly passed.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 26 February 2021.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, included as Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the accountants' report included as Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is for illustrative purposes only, and is set forth here to illustrate the effect of the Capitalisation Issue, the share subdivision and the issue of Offer Shares pursuant to the Global Offering on our consolidated net tangible assets as at 31 August 2020 as if it had taken place on 31 August 2020.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as at 31 August 2020, as derived from our consolidated financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	Audited consolidated net tangible assets attributable to owners of our Company as at 31 August 2020 (RMB'000) (Note 1)	Estimated net proceeds from the issue of Offer Shares pursuant to the Global Offering (RMB'000) (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets (RMB'000) (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share (RMB)
Based on an Offer Price of HK\$0.65 per Offer Share	242,159	51,960	294,119	0.37
Based on an Offer Price of HK\$0.75 per Offer Share	242,159	65,601	307,760	0.39

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of our Company as at 31 August 2020 is extracted from the accountants' report in Appendix I to this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the issue of Offer Shares pursuant to the Global Offering are based on the Offer Price of HK\$0.65 and HK\$0.75 per Offer Share after deduction of underwriting fees and related expenses payable by our Company (excluding listing expenses of approximately RMB12.5 million up to 31 August 2020) and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 792,000,000 Shares are in issue immediately after the Capitalisation Issue, the share subdivision and the issue of Offer Shares pursuant to the Global Offering and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of any options that may be granted under Share Option Scheme.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group per share is converted into Hong Kong Dollar at an exchange rate HK\$1.00 = RMB0.830.
- (5) No adjustment have been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group as at 31 August 2020 to reflect any trading results or other transactions of our Group entered into subsequent to 31 August 2020.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 August 2020. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial results of the Group for the year ended 31 December 2020 or any future period.

For the year ended 31 December 2020

Estimated consolidated profit attributable to owners of the Company ⁽¹⁾	Not less than RMB44.0 million
Unaudited pro forma estimated earnings per Share ⁽²⁾	Not less than RMB0.056

Notes:

- (1) The estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2020 is prepared based on the bases and assumptions set out in Appendix III to this prospectus.
- (2) The calculation of the unaudited pro forma estimated earnings per Share for the year ended 31 December 2020 is based on the estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2020, assuming the Global Offering had been completed on 31 August 2020 and a total of 792,000,000 Shares were in issue during the entire year, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

**C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public accountants, Hong Kong.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

26 February 2021

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON
THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

To the Board of Directors of Jiujiuwang Food International Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Jiujiuwang Food International Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by 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 31 August 2020, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Section A of Appendix II and the pro forma financial information includes the estimated earnings per share for the year ended 31 December 2020 set out in section B of Appendix II to the prospectus issued by the Company dated 26 February 2021 (the “**Prospectus**”). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed Global Offering of the Company on the Group’s financial position as at 31 August 2020 as if the proposed Global Offering had taken place at 31 August 2020. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s historical financial information for each three years ended 31 August 2020, on which an accountants’ report set out in Appendix I to the Prospectus 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 (“**AG**”) 7, “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars”, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

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 the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements” 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 Accountants’ 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 accountants plan and perform 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 the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 event or transaction at 31 August 2020 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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- 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 accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, 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.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong, 26 February 2021

A. BASES OF THE PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2020

Our Directors have prepared the estimate of the net profit of our Group (the “**Profit Estimate**”) based on the audited consolidated results of our Group for the eight months ended 31 August 2020 and unaudited consolidated results based on the management accounts of our Group for the four months ended 31 December 2020. The Profit Estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in note 3 to the accountants’ report as set out in Appendix I to this prospectus.

Profit Estimate for the year ended 31 December 2020

Estimated consolidated profit attributable to owners

of the Company Not less than RMB44.0 million

B. LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT ESTIMATE

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

26 February 2021

The Board of Directors

Jiujiuwang Food International Limited

Lego Corporate Finance Limited

Dear Sirs,

Jiujiuwang Food International Limited (the “**Company**”)

Profit Estimate for Year ended 31 December 2020

We refer to the estimate of the consolidated profit attributable to owners of the Company for the year ended 31 December 2020 (the “**Profit Estimate**”) set forth in the section headed “Financial information — Profit estimate for the year ended 31 December 2020” in the prospectus of the Company dated 26 February 2021 (the “**Prospectus**”).

Directors’ Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the eight months ended 31 August 2020 and the unaudited consolidated results based on the management accounts of the Group for the four months ended 31 December 2020.

The Company’s directors are solely responsible for the Profit Estimate.

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 Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” 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 Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 26 February 2021, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong, 26 February 2021

C. LETTER FROM THE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus by the Sole Sponsor, in connection with the estimate of the consolidated profit attributable to the owners of the Company for the year ended 31 December 2020.



Room 1601, 16/F
China Building
29 Queen's Road Central
Central
Hong Kong

26 February 2021

The Board of Directors
Jiujiuwang Food International Limited

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to owners of Jiujiuwang Food International Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2020 (the “**Profit Estimate**”), as set out in the section headed “Financial information” of the prospectus issued by the Company dated 26 February 2021.

The Profit Estimate, for which you, as the directors of the Company (the “**Directors**”) are solely responsible, has been prepared by you based on the audited consolidated results of the Group for the eight months ended 31 August 2020, and the unaudited consolidated results of the Group based on its management accounts for the remaining four months ended 31 December 2020.

We have discussed with you the bases and assumptions made by the directors of the Company, as set forth in Part (A) of Appendix III to the prospectus upon which the Profit Estimate has been made. We have also considered the letter dated 26 February 2021 addressed to yourselves and ourselves from HLB Hodgson Impey Cheng Limited regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by HLB Hodgson Impey Cheng Limited, we are of the opinion that the Profit Estimate, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Stanley Ng
Managing Director

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Colliers International (Hong Kong) Limited, an independent valuer, in connection with its valuation of the property interests held by the Group as at 31 January 2021. Terms defined in this appendix applies to this appendix only.

Colliers International (Hong Kong) Ltd
Valuation & Advisory Services
Company Licence No: C-006052

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong



26 February 2021

The Board of Directors

Jiujiuwang Food International Limited
No. 398 Ping An East Road, Xukeng, Luoshan Street
Jinjiang City, Fujian Province
The PRC

Dear Sirs,

INSTRUCTIONS, PURPOSE AND VALUATION DATE

We refer to your instructions for us to assess the market values of the property interests (more particularly set out in the section entitled “Summary of Values” and “Valuation Certificates” in the following pages and hereinafter referred to as “**Property**” or “**Properties**” as the case may be) located in the People’s Republic of China (the “**PRC**”) held by Jiujiuwang Food International Limited (the “**Company**”) and/or its subsidiaries and its associated companies (hereinafter together referred to as the “**Group**”) for initial public offering purposes. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values (as defined hereunder) of the property interests held by the Group as at 31 January 2021 (the “**Valuation Date**”).

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards published by The Hong Kong Institute of Surveyors; the RICS Valuation — Global Standards, incorporating the IVSC International Valuation Standards published by the Royal Institution of Chartered Surveyors; and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

BASIS OF VALUATION

Our valuation has been undertaken on the basis of market value, which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In our valuation, plant, machinery and equipment together with furniture and furnishings which have been installed wholly in connection with the occupiers' industrial or commercial processes for business production are excluded.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

As the property interests are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the Properties for the whole of the unexpired term of the land use rights.

VALUATION METHODOLOGY

For Property 1, it is owned and occupied by the Group in the PRC with proper title certificates, due to the nature of the buildings and structures of property and particular locations in which they are situated, there are no readily identifiable market comparable transactions. Therefore, in the course of our valuation, we have considered their values on the basis of their depreciated replacement costs and adopted cost approach — the depreciated replacement cost method.

The depreciated replacement cost method when used must always be subject to adequate potential profitability of the concerned business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed.

Depreciated replacement cost is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality.

The depreciated replacement cost of the property generally provides the most reliable indication of value for the property in the absence of a known market based on comparable sales.

For Property 2, it is currently a clear site held by the Group for future development. We have used market approach which provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analysing such sales, which qualify as 'arms-length' transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. This approach is commonly used to value assets where reliable sales evidence of assets of a similar nature is available.

SOURCES OF INFORMATION

We have relied to a considerable extent on the information provided by the Group and the PRC legal advisers of the Group, (i) Fieldfisher Beijing Law Firm and (ii) AllBright Law Offices (collectively the “**PRC Legal Advisers**”), in respect of the titles of the property interests in the PRC. We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, approvals, statutory notices, easements, tenure, areas, plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

The copies of documents provided to us are mostly compiled in Chinese characters and the transliteration or translation into English represents our understanding and interpretation of the contents. The legality and interpretation of the documents should refer to the original Chinese edition of the document.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinised the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by the PRC Legal Advisers of the Group, regarding the titles of the property interests in the PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter, the valuation summary and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the valuation summary and the valuation certificates.

INSPECTIONS AND INVESTIGATIONS

Stella Ho, a senior director of Colliers International (Hong Kong) Limited, carried out an external and, where possible, an internal inspection of the Properties in January 2019 and made independent investigations as necessary for carrying out this valuation. No structural survey or environmental survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the Properties are free of rot, infestation or any other structural defects. Services and facilities have not been tested and therefore unable to report on their present conditions.

We are unaware of any adverse ground conditions affecting the Properties and have not had sight of a ground and soil survey. We have not carried out investigations on site to determine the existing ground condition and services etc. and their suitability for any future developments. Our valuation has

been prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the development period for any future developments. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments and the Properties are free from any environmental problem or hazard.

No on-site measurement has been taken to verify the correctness of site areas and areas of the buildings or structures in respect of the Properties. We have assumed that the site areas shown on the documents are correct.

We confirm that our investigation has been conducted without influence from any third party in any manner.

CURRENCY

All monetary figures stated in this report are in Renminbi (“**RMB**”).

OTHER DISCLOSURE

We hereby confirm that Colliers International (Hong Kong) Limited and the valuer have neither present nor a prospective pecuniary interest in the Properties or the values reported, and we are not a related corporation of nor have a relationship with the Group that could reasonably be regarded as being capable of affecting the ability to give an unbiased and objective, opinion of the value of the Properties.

We are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties. The valuation has been prepared on a fair and unbiased basis.

Our summary of values and valuation certificates are attached hereto, which together with this letter, form our valuation report.

Yours faithfully,

For and on behalf of

Colliers International (Hong Kong) Limited

Stella Ho

BSSc (Hons) MSc MRICS MHKIS RPS (GP) MCIREA

Registered Real Estate Appraiser PRC

Senior Director

Valuation & Advisory Services

Note: Stella Ho is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region, a Member of China Institute of Real Estate Appraisers and Agents and a Registered Real Estate Appraiser PRC. She is suitably qualified to carry out the valuation and has over 20 years of experience in the valuation of properties of this magnitude and nature in Hong Kong and the PRC.

SUMMARY OF VALUES

No. Property	Market value in existing state as at 31 January 2021	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 January 2021	
Group I — Property owned and occupied by the Group in the PRC				
1	An industrial complex, located at No. 398 Ping An East Road, Xukeng, Luoshan Street, Jinjiang City, Fujian Province, the PRC	<u>RMB194,600,000</u>	<u>100%</u>	<u>RMB194,600,000</u>
Group II — Property owned by the Group in the PRC for future development				
2	A parcel of land located at Integrated Circuit Industrial Park, Jinjiang City, Fujian Province, the PRC	<u>RMB14,700,000</u>	<u>100%</u>	<u>RMB14,700,000</u>

VALUATION CERTIFICATES

Group I — Property owned and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021										
1	An industrial complex located at No. 398 Ping An East Road, Xukeng, Luoshan Street, Jinjiang City, Fujian Province, The PRC	<p>The Property comprises a parcel of land of a site area of 117,588.83 sq.m. consisting of a five-storey ancillary office, a five-storey dormitory, a three-storey dormitory, two single-storey workshops, a three-storey workshop and three single-storey warehouses.</p> <p>The construction of all the workshops, the five-storey dormitory and the ancillary office was completed in about 2009 and the three-storey dormitory was completed in about 2010. The construction of one warehouse was completed in about 2012 and the other two warehouses were completed in about 2018.</p> <p>The total gross floor area (“GFA”) of the Property is 60,791.61 sq.m. (Please refer to note 3 below). The area breakdown is listed as below:</p>	The Property is currently occupied by the Group as production facilities, warehouses and staff quarters.	RMB194,600,000 (Renminbi One Hundred and Ninety Four Million Six Hundred Thousand only)										
		<table border="0"> <thead> <tr> <th style="text-align: left;">Portion</th> <th style="text-align: right;">GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Workshops</td> <td style="text-align: right;">34,465.35</td> </tr> <tr> <td>Warehouses</td> <td style="text-align: right;">9,746.49</td> </tr> <tr> <td>Ancillary office and dormitories</td> <td style="text-align: right;"><u>16,579.77</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u><u>60,791.61</u></u></td> </tr> </tbody> </table>	Portion	GFA (sq.m.)	Workshops	34,465.35	Warehouses	9,746.49	Ancillary office and dormitories	<u>16,579.77</u>	Total	<u><u>60,791.61</u></u>		
Portion	GFA (sq.m.)													
Workshops	34,465.35													
Warehouses	9,746.49													
Ancillary office and dormitories	<u>16,579.77</u>													
Total	<u><u>60,791.61</u></u>													
		<p>The land use rights of the Property were granted to Fujian Jiujiuwang Food Industry Co., Ltd. (福建久久王食品工業有限公司) (“Fujian Jiujiuwang”) for a term expiring on 20 January 2056 for industrial/industrial buildings (工業用地/工業用房) uses.</p>												

Notes:

1. The Property was inspected by Stella Ho, Registered Professional Surveyor (General Practice) MRICS MHKIS MCIREA Registered Real Estate Appraiser PRC, between 21 and 23 January 2019.
2. The valuation of the Property was prepared by Stella Ho, Registered Professional Surveyor (General Practice) MRICS MHKIS MCIREA Registered Real Estate Appraiser PRC.
3. Pursuant to a Real Property Ownership Certificate No. 0008091 issued by Jinjiang Natural Resources Bureau (晉江市自然資源局) dated 1 March 2019, the site area of the subject site is 117,588.83 sq.m. and the GFA of the buildings is 60,791.61 sq.m. for a term expiring on 20 January 2056 for industrial and industrial buildings uses respectively. The building ownership rights of the Property of a total GFA of 60,791.61 sq.m. were legally vested in Fujian Jiujiuwang.
4. Fujian Jiujiuwang has been an indirect wholly-owned subsidiary of the Company since 25 October 2018.
5. The general description and market information of the Property are summarised as below:

Location:	The Property is located at No. 398 Ping An East Road, Xukeng, Luoshan Street, Jinjiang City, Fujian Province, the PRC.
Transportation:	Quanzhou Jinjiang International Airport and Jinjiang Railway Station are located approximately 6.1 kilometres and 16 kilometres away from the Property respectively.
Nature of Surrounding Area:	The subject area is predominately an industrial area.
6. We are provided with a legal opinion regarding the Property by the PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) Fujian Jiujiuwang is the sole legal owner of the subject site and buildings and has the right to occupy, use, let, transfer, mortgage and by other legal means dispose of the subject site and buildings in accordance with relevant laws and regulations of the PRC, registration particulars of the Real Property Ownership Certificate and terms of the relevant mortgage agreements. There has been no illegal, rule-breaking activities and no administrative penalties have been imposed by relevant authorities.
 - (b) The Property is subject to mortgage in favour of the Industrial Bank Co., Ltd. Jinjiang Sub-branch (興業銀行股份有限公司晉江支行) for a term from 5 December 2012 to 5 December 2022.
7. English translations of the above PRC entities, enterprises or nationals in Chinese are for identification purpose only. If there is any inconsistency between the Chinese names of PRC entities, enterprises or nationals and their English translations, the Chinese names shall prevail.

Group II — Property owned by the Group in the PRC for future development

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021 RMB
2	A parcel of land located at Integrated Circuit Industrial Park, Jinjiang City, Fujian Province, the PRC	<p>The Property comprises a parcel of land of a site area of 19,967 sq.m..</p> <p>The land use rights of the Property was granted to Fujian Jiujiuwang for a term expiring on 16 January 2067 for industrial use.</p>	The Property is currently vacant. As at the date of inspection, clearance work of the site has been commenced but no major construction work has been carried out.	RMB14,700,000 (Renminbi Fourteen Million Seven Hundred Thousand only)

Notes:

- The Property was inspected by Stella Ho, Registered Professional Surveyor (General Practice) MRICS MHKIS MCIREA Registered Real Estate Appraiser PRC, between 21 and 23 January 2019.
- The valuation of the Property was prepared by Stella Ho, Registered Professional Surveyor (General Practice) MRICS MHKIS MCIREA Registered Real Estate Appraiser PRC.
- Pursuant to a State-owned Land Use Rights Grant Contract, 35058220171215G109, dated 15 December 2017 and entered into between State-Owned Land Resources Bureau of Jinjiang City of Fujian Province (福建省晉江市國土資源局) and Fujian Jiujiuwang (the “**Contract**”), the maximum GFA of the Property shall not exceed 59,901 sq.m. and subject to the amendment on the Contract, the construction work of the subject site shall be commenced before 28 June 2020, and completed before 28 June 2022.
- Pursuant to a Real Property Ownership Certificate No. 0004595 dated 26 January 2018 and issued by State-owned Land Resources Bureau of Jinjiang City of Fujian Province, the land use rights of the Property of a site area of 19,967 sq.m. were granted to Fujian Jiujiuwang Food Industry Co., Ltd. (福建久久王食品工業有限公司) for a term expiring on 16 January 2067 for industrial use.
- Fujian Jiujiuwang has been an indirect wholly-owned subsidiary of the Company since 25 October 2018.
- The general description and market information of the Property are summarised as below:

Location: The Property is located at Integrated Circuit Industrial Park, Jinjiang City, Fujian Province, the PRC.

Transportation: Quanzhou Jinjiang International Airport and Jinjiang Railway Station are located approximately 6.1 kilometres and 16 kilometres away from the Property respectively.

Nature of Surrounding Area: The subject area is predominately an industrial area.
- We have been provided with a legal opinion regarding the Property by the PRC Legal Advisers which contains, inter alia, the following information:
 - Construction work of the Property has not been commenced according to the Contract due to road planning issues in the Luoshan Street District adjacent to the land. As such, Fujian Jiujiuwang is not responsible for the delay and Jinjiang Natural Resources Bureau (晉江市自然資源局) (previously State-owned Land Resources Bureau of Jinjiang City of Fujian Province) is aware of the issue. On 28 April 2020, a supplemental contract was entered into between Jinjiang Natural Resources Bureau (晉江市自然資源局) and Fujian Jiujiuwang and the construction period requirement was amended. Thus, it is unlikely for Jinjiang Natural Resources Bureau to call Fujian Jiujiuwang accountable for breaching the Contract or impose penalties on it. On 15 June 2020, infrastructure works including site formation of the Property have been started. According to Construction Contract Agreement (《工程施工合同》), Supplementary Construction Contract Agreement (《工程施工合同補

充協定》) and the Supplementary Construction Contract Agreement (《工程施工合同補充協定》) entered into on 30 October 2020, the infrastructure works started on 15 June 2020 and are targeted to be completed by 31 March 2021;

- (b) Fujian Jiujiuwang is the sole legal owner of the Property and has the right to occupy, use, let, transfer, mortgage and by other legal means dispose of the subject site and buildings in accordance with relevant laws and regulations of the PRC, registration particulars of the Real Property Ownership Certificate and terms of the relevant mortgage agreements. There has been no illegal, rule-breaking behaviours and no administrative penalties have been imposed by relevant authorities; and
 - (c) The Property is subject to mortgage in favour of the Industrial Bank Co., Ltd. Jinjiang Sub-branch (興業銀行股份有限公司晉江支行) for a term from 31 January 2018 to 31 January 2023.
8. English translations of the above PRC entities, enterprises or nationals in Chinese are for identification purpose only. If there is any inconsistency between the Chinese names of PRC entities, enterprises or nationals and their English translations, the Chinese names shall prevail.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Companies Act.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2017 under the Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- 1.2 Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 18 February 2021 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

2.1 Shares

- *Classes of shares*

The share capital of our Company consists of ordinary shares.

- *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

- ***Alteration of capital***

Our Company may by ordinary resolution of its members:

- increase its share capital by the creation of new shares;
- consolidate all or any of its capital into shares of larger amount than its existing shares;
- divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

- ***Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars

required by section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. 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 in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

- ***Power of our Company to purchase its own shares***

Our Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

- *Power of any subsidiary of our Company to own shares in our Company*

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

- *Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

2.2 Directors

- *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not 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 shall be subject to retirement at an

annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to our Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and

other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

- ***Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

- ***Power to dispose of the assets of our Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Act to be exercised or done by our Company in general meeting.

- *Borrowing powers*

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

- *Remuneration*

The ordinary remuneration of the Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependants or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The Board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

- ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

- ***Loans and provision of security for loans to Directors***

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if our Company were a company incorporated in Hong Kong.

- ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide

in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(a) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(b) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) Meetings of members

- *Special and ordinary resolutions*

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

- *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

- ***Annual general meetings and extraordinary general meeting***

Our Company must hold an annual general meeting of our Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by our Company.

- *Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

- *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting)

convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

- *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(d) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(e) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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 board may think fit.

Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(f) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(g) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this appendix.

(h) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(i) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES ACT

Our Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

3.1 Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our 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 amount of its authorised share capital.

3.2 Share capital

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 premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (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) 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; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of 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 (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person 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 acting 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.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised 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 and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution 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 issued shares of the company other than shares held as treasury 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.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

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. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative 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 and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court 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 Court shall direct.

Any shareholder of a company may petition the Court 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must 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.

3.7 Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

3.8 Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) 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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

3.10 Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, our Company has obtained an undertaking:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 16 January 2019.

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 our Company levied by the government of the Cayman Islands save for 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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

3.11 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.

3.12 Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

3.13 Inspection of corporate records

Members of our Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in the Articles.

3.14 Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

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. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

3.15 Register of Directors and Officers

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

3.16 Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

3.17 Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

3.18 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the 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.

3.19 Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the 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.

3.20 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 Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

3.21 Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands (the "**Cayman Economic Substance Act**") that came into force on 1 January 2019, a "relevant entity" engaged in certain activities is required to satisfy the economic substance test set out in the Cayman Economic Substance Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company. However, it does not include an entity which is a tax resident outside the Cayman Islands. Therefore, as long as our Company is a tax resident outside the Cayman Islands, it will not be considered a "relevant entity" and will not be required to satisfy the economic substance test set out in the Cayman Economic Substance Act.

4. GENERAL

Ogier, our Company's legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 21 February 2017. Our registered office is at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 10 April 2019 and the principal place of business in Hong Kong is at Suites 4404–10, 44/F, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong. Mr. Ng Kin Sun has been appointed as an authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the relevant laws of the Cayman Islands and its constitution which comprises the Memorandum and the Articles. A summary of the certain provisions of the Memorandum and the Articles, and relevant aspects of the Companies Act is set out in Appendix V to this prospectus.

2. Changes in the share capital of our Company

- (a) As at the date of incorporation of our Company, our Company had an authorised share capital of US\$50,000 divided into 500,000 Shares of par value of US\$0.1 each. One fully-paid Share was allotted and issued to the initial subscriber Sertus Nominees (Cayman) Limited on 21 February 2017, which was subsequently transferred to Jianeng on the same date.
- (b) On the same date, Jianeng and Haisen respectively applied for the allotment to them separately 149,999 and 175,000 Shares at par value which were issued and allotted to them on the same date.
- (c) On 17 November 2017, our Company further issued and allotted 175,000 Shares at par value, representing 35% of the enlarged issued share capital of our Company to Xiejia.
- (d) After the aforesaid issue and allotment of Shares, our Company was indirectly owned by Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi through their respective investment holding vehicles (namely, Jianeng, Haisen and Xiejia) as to 30%, 35% and 35% respectively.
- (e) On 5 October 2018, our Company, Jianeng, Haisen and Xiejia entered into the Investment Agreement with APOC, a company incorporated in the BVI with limited liabilities and wholly owned by Mr. Lee, an Independent Third Party and a passive investor, pursuant to which our Company increased its authorised share capital from US\$50,000 to US\$51,546.4 by the creation of 15,464 Shares and issued and allotted the same to APOC, representing approximately 3% of the enlarged issued share capital of our Company, at a consideration of RMB4,000,000. The said consideration was arrived with reference to the historical financial results of our Group.

- (f) After the aforesaid issue and allotment of Shares, our Company was owned indirectly by Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi and APOC as to approximately 29.1%, 33.95%, 33.95% and 3% respectively.
- (g) On 10 February 2021, the Shareholders resolved to increase the authorised share capital of our Company from US\$51,546.4 to US\$200,000 by the creation of an additional of 1,484,536 Shares, each ranking pari passu with the Shares then in issue in all respects.
- (h) On 10 February 2021, our Shareholders resolved, among other things that, all the issued and unissued ordinary Shares at a par value of US\$0.1 each will be subdivided into 1,000 Shares at a par value of US\$0.0001 each such that the authorised share capital of our Company shall be US\$200,000 divided into 2,000,000,000 Shares of par value of US\$0.0001 each and the issued share capital shall be US\$51,546.4 divided into 515,464,000 Shares of par value of US\$0.0001 each.
- (i) Immediately following completion of the Capitalisation Issue and the Global Offering, assuming that the Over-allotment Option is not exercised and taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be US\$79,200 divided into 792,000,000 Shares, all fully paid or credited as fully paid, and 1,208,000,000 Shares will remain unissued.
- (j) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further information about our Company — 3. Resolutions in writing of the Shareholders” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (k) Save for the aforesaid and as mentioned in the section headed “History, development and Reorganisation” in this prospectus, there has been no alternation in our Company’s share capital since its incorporation.

3. Resolutions in writing of the Shareholders

Pursuant to the written resolutions passed by the Shareholders on 18 February 2021:

- (a) our Company approved and adopted the Memorandum and the Articles with effect from the Listing Date, the terms of which are summarised in Appendix V to this prospectus;
- (b) conditional on (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements

becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

- (i) the Global Offering was approved and the Directors were authorised to allot and issue the new Shares pursuant to the Global Offering;
- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Other information — 1. Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
- (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise an amount of US\$7,853,6001 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 26,662,968 Shares, 26,662,968 Shares, 22,853,972 Shares and 2,356,092 Shares, such Shares to be allotted and issued to Haisen, Xiejia, Jianeng and APOC, respectively, immediately prior to the Listing Date.
- (iv) a general unconditional mandate was given to the Directors to issue, allot and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the shareholders of our Company in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering (but taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or pursuant to the exercise of the options granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first;
- (v) a general unconditional mandate was given to the Directors authorising them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the

aggregate nominal value of the Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first; and

- (vi) the general mandate mentioned in paragraph (iv) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, or agreed conditionally or unconditionally to be issued and allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to purchase shares referred to in paragraph (v) above.

4. Corporation reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. Please refer to the section headed “History, development and Reorganisation” in this prospectus for further details relating to the Reorganisation.

5. Changes in the share capital of subsidiaries

Our subsidiaries during the Track Record Period are set out in note 36 to the accountants’ report in Appendix I to this prospectus.

Apart from the alternations disclosed in the section headed “History, development and Reorganisation” in this prospectus, there has been no alternation in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of the Shares by our Company

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

i. Shareholder’s approval

All proposed repurchases of Shares (which must be fully paid up) 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 written shareholder's resolution of our Company dated 18 February 2021, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorising any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until at the conclusion of our next annual general meeting, or the expiration of the period within which our Company's next annual general meeting is required to be held under any applicable laws of the Articles, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

ii. Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase 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.

iii. Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 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.

iv. Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Companies Act, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

v. *Suspension of repurchase*

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as at the Latest Practicable Date, during the period of one month immediately preceding the earlier of:

- (i) 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 our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our 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), and in each case ending on the date of the results announcement,

our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

vi. *Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Shares 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 Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

vii. *Connected persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) *Reasons for repurchase*

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our 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 our Shareholders.

(c) Funding of repurchase

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum and Articles of Association, the Cayman Companies Act or any other applicable laws of the Cayman Islands and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. 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 the gearing levels which, in the opinion of our Directors, are from time to time appropriate for us.

The exercise in full of the current repurchase mandate, on the basis of 792,000,000 Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, could accordingly result in up to 79,200,000 Shares being repurchased by us during the relevant period.

(d) General

None of our Directors or, to the best of their knowledge, having made all reasonable inquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us or our subsidiaries.

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, the Memorandum and Articles of Association, the Cayman Companies Act and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares pursuant to the repurchase mandate, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders interest, could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which could arise under the Takeovers Code if the repurchase mandate is exercised.

No connected person, as defined in the Listing Rules, has notified us that he/she/it has a present intention to sell his/her/its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus and are or may be material:

Agreements relating to the purchase of our machinery

- (a) an equipment sourcing agreement dated 13 March 2019 entered into between Jiujiuwang Food and Hanlin Aerospace (Tianjin) Industrial Co., Ltd.* (翰林航宇(天津)實業有限公司), pursuant to which Hanlin Aerospace (Tianjin) Industrial Co., Ltd. agreed to sell various machines to Jiujiuwang Food at a consideration of RMB12,000,000;
- (b) an equipment sourcing agreement dated 18 March 2019 entered into between Jiujiuwang Food and Hanlin Aerospace (Tianjin) Industrial Co., Ltd.* (翰林航宇(天津)實業有限公司), pursuant to which Hanlin Aerospace (Tianjin) Industrial Co., Ltd. agreed to sell various machines to Jiujiuwang Food at a consideration of RMB8,000,000;







Other agreements












- (c) the Deed of Indemnity;
- (d) the Deed of Non-Competition; and
- (e) the Hong Kong Underwriting Agreement.














2. Intellectual property rights of our Group*(a) Trademarks*














As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:



















No.	Trademark	Registration no.	Name of registered proprietor	Class	Place of registration	Expiry date
1	九九王風度	1498043	Jiujiuwang Food	30	PRC	27 December 2030
2	九九王大馬面 BIG MENU 99W	3269794	Jiujiuwang Food	30	PRC	13 October 2023
3	酷莎	3889453	Jiujiuwang Food	30	PRC	6 December 2025
4	Ku sha	3891076	Jiujiuwang Food	30	PRC	6 December 2025

No.	Trademark	Registration no.	Class	Name of registered proprietor	Place of registration	Expiry date
5	九九王酷莎	3957053	30	Jiujiuwang Food	PRC	27 January 2026
6	久久	3993913	30	Jiujiuwang Food	PRC	27 October 2026
7		4261216	30	Jiujiuwang Food	PRC	13 February 2027
8		4261217	29	Jiujiuwang Food	PRC	13 February 2027
9		4261218	32	Jiujiuwang Food	PRC	13 February 2027
10	酷宝	4267497	30	Jiujiuwang Food	PRC	20 February 2027
11	Coolsa	5381932	30	Jiujiuwang Food	PRC	20 July 2029
12		5381935	30	Jiujiuwang Food	PRC	13 May 2029
13		5561476	32	Jiujiuwang Food	PRC	27 June 2029
14		5561477	18	Jiujiuwang Food	PRC	27 February 2030
15		5561478	25	Jiujiuwang Food	PRC	13 July 2030
16		5561479	28	Jiujiuwang Food	PRC	13 October 2029
17		5561480	29	Jiujiuwang Food	PRC	27 May 2029
18		5561481	16	Jiujiuwang Food	PRC	6 September 2029
19		5628567	32	Jiujiuwang Food	PRC	20 July 2029
20		5628569	30	Jiujiuwang Food	PRC	20 July 2029


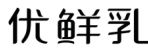



No.	Trademark	Registration no.	Name of registered proprietor	Class	Place of registration	Expiry date
21		5628572	Jiujiuwang Food	29	PRC	6 June 2029
22		5628574	Jiujiuwang Food	25	PRC	27 October 2029
23		5628575	Jiujiuwang Food	18	PRC	20 October 2029
24		5628577	Jiujiuwang Food	14	PRC	20 September 2029
25		5628579	Jiujiuwang Food	12	PRC	6 July 2029
26		5628581	Jiujiuwang Food	5	PRC	13 November 2029
27		5628585	Jiujiuwang Food	24	PRC	13 October 2029
28		5660052	Jiujiuwang Food	32	PRC	27 July 2029
29		5660053	Jiujiuwang Food	30	PRC	6 August 2029
30		5660054	Jiujiuwang Food	29	PRC	20 October 2029
31		5660055	Jiujiuwang Food	25	PRC	20 December 2029

No.	Trademark	Registration no.	Class	Name of registered proprietor	Place of registration	Expiry date
32		5660056	24	Jiujiuwang Food	PRC	6 February 2030
33		5660057	18	Jiujiuwang Food	PRC	6 November 2029
34		5660058	14	Jiujiuwang Food	PRC	27 September 2029
35		5660059	12	Jiujiuwang Food	PRC	20 December 2029
36		5675738	42	Jiujiuwang Food	PRC	27 October 2029
37		5675740	35	Jiujiuwang Food	PRC	27 October 2029
38	九九王酷莎	5837153	30	Jiujiuwang Food	PRC	6 November 2029
39	99 王酷莎	5837198	30	Jiujiuwang Food	PRC	6 November 2029
40		6088134	5	Jiujiuwang Food	PRC	20 July 2024
41		8325721	30	Jiujiuwang Food	PRC	27 May 2021
42		8325714	30	Jiujiuwang Food	PRC	20 May 2022
43		8325701	29	Jiujiuwang Food	PRC	27 February 2024
44		8325691	32	Jiujiuwang Food	PRC	27 May 2021
45		8760531	10	Jiujiuwang Food	PRC	20 November 2021
46		9880259	30	Jiujiuwang Food	PRC	27 October 2022

No.	Trademark	Registration no.	Class	Name of registered proprietor	Place of registration	Expiry date
47		9924112	30	Jiujiuwang Food	PRC	6 November 2022
48		11052453	30	Jiujiuwang Food	PRC	6 April 2025
49	久久王	11327857	30	Jiujiuwang Food	PRC	13 April 2025
50	酷尔盖寿	12457266	30	Jiujiuwang Food	PRC	27 September 2024
51	 	14460700	30	Jiujiuwang Food	PRC	27 July 2025
52		14577425	30	Jiujiuwang Food	PRC	13 May 2026
53		15759626	30	Jiujiuwang Food	PRC	13 January 2026
54		15759580	30	Jiujiuwang Food	PRC	13 January 2026
55	有益吸 YOUYIXI	18026248	30	Jiujiuwang Food	PRC	20 January 2027
56		18671937	30	Jiujiuwang Food	PRC	27 January 2027
57		18671866	29	Jiujiuwang Food	PRC	27 January 2027
58		18671779	38	Jiujiuwang Food	PRC	27 January 2027
59		18671717	11	Jiujiuwang Food	PRC	27 January 2027
60		18671689	7	Jiujiuwang Food	PRC	27 January 2027
61		18671562	2	Jiujiuwang Food	PRC	27 January 2027
62	酷尔盖	18671451	1	Jiujiuwang Food	PRC	27 January 2027

No.	Trademark	Registration no.	Class	Name of registered proprietor	Place of registration	Expiry date
63		18671426	28	Jiujiuwang Food	PRC	27 January 2027
64		18671297	30	Jiujiuwang Food	PRC	27 January 2027
65		18671265	29	Jiujiuwang Food	PRC	27 January 2027
66		18671102	31	Jiujiuwang Food	PRC	27 January 2027
67		18670918	34	Jiujiuwang Food	PRC	27 January 2027
68		18670791	40	Jiujiuwang Food	PRC	27 January 2027
69		18829643	30	Jiujiuwang Food	PRC	13 February 2027
70		18670727	44	Jiujiuwang Food	PRC	27 January 2027
71		19309736	30	Jiujiuwang Food	PRC	13 January 2028
72		19444944	29	Jiujiuwang Food	PRC	27 July 2027
73		20036886	30	Jiujiuwang Food	PRC	6 September 2027
74		25072272	32	Jiujiuwang Food	PRC	27 June 2028
75		28529733	32	Jiujiuwang Food	PRC	13 December 2028
76		25605576	30	Jiujiuwang Food	PRC	13 November 2028
77		25073714	30	Jiujiuwang Food	PRC	13 September 2028
78		40543420	30	Jiujiuwang Food	PRC	27 April 2030
79		304788163	30	Jiujiuwang Food	Hong Kong	30 December 2028
80		304788172	30	Jiujiuwang Food	Hong Kong	30 December 2028

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Application no.	Class	Name of applicant	Place of registration	Application date
1		21402256	30	Jiujiuwang Food	PRC	23 September 2016
2		33916844	32	Jiujiuwang Food	PRC	9 October 2018
3		41679305	30	Jiujiuwang Food	PRC	16 October 2019
4		305533038	30	Jiujiuwang Food	Hong Kong	9 February 2021
5		305532985	30	Jiujiuwang Food	Hong Kong	9 February 2021

(b) *Patents*

As at the Latest Practicable Date, our Group was the registered proprietor of the following patents, which, in the opinion of our Directors, are material to our business:

No.	Title	Patent no.	Type	Place of registration	Expiry date
1	A mould and method of shaping whistle lollipop (一種口哨棒棒糖的成型模具及其成型方法)	ZL201310670705.X	Invention	PRC	9 December 2033
2	A method of processing whistle lollipop (一種口哨泡泡糖的加工工藝)	ZL201210192813.6	Invention	PRC	11 June 2032
3	A drinkable candy and its production method (一種可吸飲的糖果及其製作方法)	ZL201510901405.7	Invention	PRC	8 December 2035
4	A candy packaging tube (一種糖果包裝管)	ZL201520741292.4	Utility	PRC	22 September 2025
5	A new type of tablet candy packing box (一種新型糖果片包裝盒)	ZL201320331454.8	Utility	PRC	7 June 2023

No.	Title	Patent no.	Type	Place of registration	Expiry date
6	Packaging bag (ice fruit series) (包裝袋(冰炫菓子系列))	ZL201630073041.3	Design	PRC	14 March 2026
7	Packaging box (refreshing tablet) ((包裝盒(爽口片))	ZL201330241548.1	Design	PRC	7 June 2023

(c) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

Domain name	Name of registered proprietor	Date of registration	Expiry date
www.jiujiuwang.com	Jiujiuwang Food	1 April 1999	1 April 2027
www.jiujiuwang.com.cn	Jiujiuwang Food	25 May 2005	21 May 2027

(d) Copyrights

As at the Latest Practicable Date, our Group was the registered proprietor of the following copyrights which, in the opinion of our Directors, are material to our business:

No.	Title	Registration certificate no.	Place of registration	Registration date
1	酷莎一現瞬間來電 (Coolsa appearing with shocking)	閩作登字 — 2016-A-00036396	PRC	21 October 2016
2	清口含片 (Refreshing lozenge)	閩作登字 — 2014-F-00013096	PRC	20 August 2014
3	VC酸酸糖 (VC acid candy)	閩作登字 — 2014-F-00013092	PRC	20 August 2014
4	無糖爽口片 (Sugar-free refreshing tablet)	閩作登字 — 2014-F-00013097	PRC	20 August 2014
5	拉拉卜口哨酸奶糖 (Lalabo whistle yogurt candy)	閩作登字 — 2012-F-00014946	PRC	25 December 2012
6	拉拉卜口哨泡泡糖西瓜味 (Watermelon flavour Lalabo whistle bubble gum)	閩作登字 — 2012-F-00005373	PRC	10 July 2012

No.	Title	Registration certificate no.	Place of registration	Registration date
7	拉拉卜口哨泡泡糖香橙味 (Orange flavour Lalabo whistle bubble gum)	閩作登字 — 2012-F-00005372	PRC	10 July 2012
8	拉拉卜口哨泡泡糖草莓味 (Strawberry flavour Lalabo bubble gum)	閩作登字 — 2012-F-00005374	PRC	10 July 2012
9	拉拉卜口哨泡泡哈密瓜味 (Cantaloupe flavour Lalabo whistle bubble gum)	閩作登字 — 2012-F-00005375	PRC	10 July 2012

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interests — interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account Shares to be issued and allotted upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

(i) Interests in our Company

Name	Nature of interest	Interests in Shares	Approximate percentage shareholding
Mr. Zheng Guosi	Interest in a controlled corporation ⁽²⁾	201,662,968 (L) ⁽¹⁾	25.46%
	Interest held jointly with other persons ⁽³⁾	576,179,908 (L) ⁽¹⁾	72.75%

Name	Nature of interest	Interests in Shares	Approximate percentage shareholding
Mr. Zheng Zhenzhong	Interest in a controlled corporation ⁽⁴⁾	172,853,972 (L) ⁽¹⁾	21.82%
	Interest held jointly with other persons ⁽³⁾	576,179,908 (L) ⁽¹⁾	72.75%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Xiejia is owned as to 100% by Mr. Zheng Guosi. As such, Mr. Zheng Guosi is deemed to be interested in the Shares held by Xiejia.
- (3) On 29 March 2019, Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian executed the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in respect of each of the members of our Group since the relevant period, details of which are set out in the section headed “History, development and Reorganisation — Parties acting in concert” in this prospectus. As such they are deemed to be interested in the Shares held by each others.
- (4) Jianeng is owned as to 100% by Mr. Zheng Zhenzhong. As such, Mr. Zheng Zhenzhong is deemed to be interested in our Shares held by Jianeng.

(b) Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

Each of the independent non-executive Directors has signed a letter of appointment with our Company for a term of three years with effect from the Listing Date.

(c) Directors’ remuneration

Each of our executive Directors entered into a service contract with our Company on 18 February 2021 for a term of three years commencing from the Listing Date. Each of our executive Directors is entitled to a director’s fee and shall be paid an annual remuneration. The aggregate amount of remuneration of our Directors including fees, salaries, discretionary bonuses, contributions to pension schemes, housing allowances and other allowances and benefits in kind incurred by our Group for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020 was approximately RMB722,000, RMB717,000, RMB795,000 and RMB516,000, respectively.

Each of our independent non-executive Directors entered into a letter of appointment with our Company on 18 February 2021 for a term of three years commencing on the Listing Date, until terminated by either party giving at least three months notice in writing. Each independent non-executive Director is entitled to a director’s fee of RMB100,000 per annum.

Under the arrangement currently in force, the aggregate remuneration (excluding any discretionary bonus, if any, payable to our Directors) of our Directors for the year ending 31 December 2021 is estimated to be approximately RMB1,166,000.

Further details of the terms of the abovementioned service contracts are set out in the paragraph headed “C. Further information about our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts” in this section.

2. Substantial Shareholders

So far as is known to our Directors as at the Latest Practicable Date, immediately following the completion of the Capitalisation Issue and the Global Offering assuming that the Over-allotment Option is not exercised and taking no account of any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, the following persons (other than our Directors and chief executives of our Company) would have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Shareholders	Nature of Interest	Shares held immediately after completion of the Global Offering (without taking into account Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme)	
		Number of Shares held/interested in	Percentage of shareholding in our Company
Xiejia	Beneficial owner	201,662,968 (L) ⁽¹⁾	25.46%
Ms. Wu Zihong	Interest of spouse ⁽³⁾	576,179,908 (L) ⁽¹⁾	72.75%
Haisen	Beneficial owner	201,662,968 (L) ⁽¹⁾	25.46%
Mr. Zheng Guodian	Interest in a controlled corporation ⁽⁴⁾ /Interest held jointly with other persons ⁽²⁾	576,179,908 (L) ⁽¹⁾	72.75%
Ms. Hong Mali	Interest of spouse ⁽⁵⁾	576,179,908 (L) ⁽¹⁾	72.75%
Jianeng	Beneficial owner	172,853,972 (L) ⁽¹⁾	21.82%
Ms. Su Li	Interest of spouse ⁽⁶⁾	576,179,908 (L) ⁽¹⁾	72.75%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) On 29 March 2019, Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian executed the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each of the members of our Group since the relevant periods, details of which are set out in the section headed “History, development and Reorganisation — Parties acting in concert” in this prospectus. As such Mr. Zheng Guodian is deemed to be interested in the Shares held by each others.
- (3) Ms. Wu Zihong is the spouse of Mr. Zheng Guosi. Under the SFO, Ms. Wu Zihong is deemed to be interested in the Shares that Mr. Zheng Guosi is interested in.
- (4) Haisen is owned as to 100% by Mr. Zheng Guodian. As such, Mr. Zheng Guodian is deemed to be interested in the Shares held by Haisen.
- (5) Ms. Hong Mali is the spouse of Mr. Zheng Guodian. Under the SFO, Ms. Hong Mali is deemed to be interested in the Shares that Mr. Zheng Guodian is interested in.
- (6) Ms. Su Li is the spouse of Mr. Zheng Zhenzhong. Under the SFO, Ms. Su Li is deemed to be interested in all Shares that Mr. Zheng Zhenzhong is interested in.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executive of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered 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 once our Shares are listed;
- (b) none of our Directors or experts referred to under the paragraph headed “D. Other information — 8. Qualification of experts” in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors 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;

- (d) none of our Directors 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));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, Directly or indirectly, in 10% or more of issued voting shares of any member of our Group;
- (f) none of the experts referred to under the paragraph headed “D. Other information — 8. Qualification of experts” in this appendix has any shareholding in any member of our Group 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; and
- (g) so far as is known to our Directors as at the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the number of issued Shares has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 18 February 2021. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will enable our Group to grant options to Eligible Participants as incentives or rewards for their contributions to our Group and to provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (“**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:
 - (aa) contribution to the development and performance of our Group;
 - (bb) quality of work performed for our Group;
 - (cc) initiative and commitment in performing his/her duties; and
 - (dd) length of service or contribution to our Group.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer for the grant of an option to subscribe for Shares granted pursuant to the Share Option Scheme may be accepted by an Eligible Participant in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option by such Eligible Participant. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraph (z), an option shall be exercisable in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days (or 14 days in the case of exercise pursuant to paragraph (n)) after receipt of the notice and the remittance and, where appropriate, receipt of the certificate issued by the auditors to our Company or the independent financial adviser as the case may be pursuant to paragraph (r), our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or, in the event of an exercise of option by a personal representative pursuant to paragraph (l)(ii) below, to the estate of the grantee) credited as fully paid and issue to the grantee (or his/her estate in the event of an exercise by his/her personal representative as aforesaid) share certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of shares

The maximum number of Shares which may be issued upon exercise of all option to be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (but taking no account of any Shares which may be issued under the exercise of the Over-allotment Option), being 79,200,000 Shares (the “**Scheme Limit**”), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled (the “**Cancelled Shares**”) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her associates if the participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders’ approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among others:
 - (aa) the Eligible Participant’s name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the notice given by the grantee in respect of the exercise of the option; and

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of shares

The subscription price of a Share in respect of any option granted under the Share Option Scheme shall, subject to any adjustments made in accordance with paragraph (r), be at the absolute discretion of the Board, provided that it shall be not less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). Where any grant of options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the approval of our independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options must be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of options

A grant of options may not be made after inside information has come to our Company's knowledge until such information has been announced pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or any other interim period (whether or not required under the Listing Rules);

and ending on the date of actual publication of the results announcement.

(i) Rights are personal to grantee

An option is personal to the grantee. No grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing by a grantee shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) *Time of exercise of option and duration of the share option scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of our Company (the “**Adoption Date**”). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) *Rights on ceasing employment/death*

If the grantee of an option ceases to be an Eligible Participant:

- (i) by any reason other than death, ill-health, injury, disability or termination of his/her relationship with our Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) in whole or in part within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or
- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his/her relationship with our Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or, as appropriate, his/her personal representative(s) may exercise the option in full (to the extent not already exercised) within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death.

(m) *Rights on dismissal*

If the grantee of an option ceases to be an Eligible Participant on the grounds that he/she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his/her debts or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or has been in breach of contract, his/her option will lapse automatically and not be exercisable after the date of termination of his/her employment or contract with our Company.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between our company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company no later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him/her before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n); or
- (iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his/her employment or contract on the grounds that he/she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his/her debts or has become insolvent or has made any arrangement or has compromised with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date upon which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms and any adjustment to be made to the exercise price of the Share Option Scheme or the options shall still comply with Chapter 17 of the Listing Rules, the supplemental guidance of 5 September 2005 and any future guidance or interpretation of the Listing Rules from time to time and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(u) *Cancellation of options*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i) above.

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Stock Exchange granting approval to the listing of, and permission to deal in, on the Main Board of the Stock Exchange, our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Obtaining necessary consent*

A grantee shall, before accepting an offer for the grant of an option or exercising his/her option, obtain all necessary consents that may be required to enable him/her to accept the grant of the option or to exercise the option and our Company shall allot and issue to him/her in accordance with the provisions of the Share Option Scheme the Shares falling to be allotted and issued upon the exercise of his/her option. By accepting the grant of an option or exercising his/her option, the grantee is deemed to have represented to our Company that he/she has obtained all such consents. Compliance with this paragraph shall be condition precedent to an acceptance of an offer for the grant of an option by a grantee and an exercise by a grantee of his/her options.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 79,200,000 Shares in total.

2. Tax and other indemnities

On 21 February 2021, our Controlling Shareholders (the “**Indemnifiers**”) entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for each of its subsidiaries stated therein), to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing;
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;

- (c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance or any other applicable laws, rules or regulations on or before the date on which the Global Offering becomes unconditional;
- (d) all claims, actions, losses, damages, costs or expenses suffered or incurred by any of the members of our Group in connection with the social insurance and housing provident fund contributions required to be made by the relevant laws and regulations in the PRC, which any member of our Group has failed to make in accordance with such laws and regulations from their respective date of establishment to the Listing Date; and
- (e) all claims, payments, suits, damages, settlements, sums, outgoings, fees, losses and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the legal proceedings and non-compliance matters by any member of our Group as described in the section headed “Business — Legal proceedings and compliance” and “Business — Licences, permits and approvals” in this prospectus or in connection with any other non-compliance of any member of our Group which has occurred at any time on or before the Listing Date.

Each Indemnifier is under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 August 2020;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 September 2020 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; and
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming

into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or

- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 August 2020 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide, inter alia, indemnities on a joint and several basis in respect of, among other matters, any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from or in connection with any defective title relating to certain properties, and any litigation, arbitration, claims or administrative proceedings, whether of administrative, contractual, tortious or otherwise nature instituted by or against any member of our Group in relation to events occurred on or before the Listing.

Under the Deed of Indemnity, each Indemnifier has also undertaken to us that it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

3. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee in connection with the Global Offering is HK\$8 million.

5. Preliminary expenses

The estimated preliminary expenses incurred and paid by our Company were approximately RMB21,000.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

7. Taxation of holders of Shares*(a) Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualifications
Lego Corporate Finance Limited	Licensed to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO
Ogier	Legal advisers as to Cayman Islands law
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Fieldfisher Beijing Law Firm	Joint legal advisers as to PRC laws

Name	Qualifications
AllBright Law Offices	Joint legal advisers as to PRC laws
Frost & Sullivan Limited	Industry consultant
Hogan Lovells	Legal advisers as to the applicability of sanctions administered by OFAC as well as the laws of other countries and under international law, including the U.S., the EU, the United Nations and Australia on our Group's sales products to customers in certain countries during the Track Record Period
Colliers International (Hong Kong) Limited	Property valuer

9. Consents of experts

Each of the experts named in paragraph 8 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which they respectively appear.

10. Interests of experts in our Company

As at the Latest Practicable Date, none of the persons named in paragraph 8 above is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

12. 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 of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (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;

- (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;
- (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (d) the principal register of members of our Company will be maintained in the Cayman Islands by Ogier Global (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;
- (e) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (f) our Directors have been advised that the use of a Chinese name by our Company does not contravene the Cayman Companies Act; and
- (g) our Company has no outstanding convertible debt securities or debentures.

13. Material adverse change

Our Directors confirm that, save for the matters disclosed in the section headed "Summary — Recent development and material adverse changes" in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2020 (being the date to which the latest audited consolidated financial statements of our Group were made up) up to the date of this prospectus.

14. 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 Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “D. Other information — 9. Consents of experts” in Appendix VI to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Ince & Co at Suites 4404–10, 44th Floor, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the accountants’ report from HLB Hodgson Impey Cheung Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report from HLB Hodgson Impey Cheung Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three years ended 31 December 2019 and the eight months ended 31 August 2020;
- (e) the letters in respect of the profit estimate of our Group from HLB Hodgson Impey Cheung Limited, the reporting accountants, and Lego Corporate Finance Limited, the Sole Sponsor, the texts of which are set out in Appendix III to this prospectus;
- (f) the Property Valuation Report;
- (g) the legal opinions issued by Fieldfisher Beijing Law Firm and AllBright Law Offices, our PRC legal advisers in respect of our Group’s business operations and property interests in the PRC;
- (h) the letter of advice from Ogier, our Cayman Islands legal advisers, summarising certain aspects of Cayman Companies Act referred to in Appendix V to this prospectus;
- (i) the legal memorandum prepared by Hogan Lovells, our International Sanctions Legal Advisers in respect of relevant International Sanctions applicable to our Group;
- (j) the Cayman Companies Act;

- (k) material contracts referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in Appendix VI to this prospectus;
- (l) the Frost & Sullivan Report;
- (m) service contracts (including letters of appointment) with each of our Directors referred to in the paragraph headed “C. Further information about our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts” in Appendix VI to this prospectus;
- (n) the written consents referred to in the paragraph headed “D. Other information — 9. Consents of experts” in Appendix VI to this prospectus; and
- (o) the Share Option Scheme.

**Jiujiuwang Food
International Limited
久久王食品国际有限公司**