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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

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

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

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

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

Brand image is a key factor in consumer purchase decisions. We believe our success depends substantially on the popularity of our brand and our reputation for spicy snack food that appeals to Chinese consumers. Therefore, maintaining and enhancing the recognition and image of our brand are critical to our ability to differentiate our products and to compete effectively. Any complaint, claim or negative publicity against us or our products, even if meritless or immaterial to our operations, could damage our brand and reputation. Any actual or perceived food safety concerns, contamination, spoilage or other product misbranding or tampering may lead to the erosion of our brand and damage to our brand value. Furthermore, our brand also depends on our ability to respond to competitive pressures effectively. If we fail to do so, the value of our brand or reputation may be diminished and our business and results of operations may be materially and adversely affected.

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

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

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

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

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

- reduction, delay or cancelation of orders from one or more of our distributors;
- selection or increased sales by our distributors of our competitors' products;
- failure to renew distribution agreements and maintain relationships with our existing distributors;

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

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

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

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

The food industry in China as a whole is particularly sensitive to concerns over food safety and quality related issues and can be materially and adversely affected by negative publicity or news reports, whether accurate or not, regarding food safety and quality and public health concerns. Any such negative publicity on our industry, whether targeting us in particular or not, could materially harm our brand, business and results of operations. Due to our leading position in the industry, we may become the target of public scrutiny and thus incur significant costs to respond to such negative publicity. Such discrepancies led to the incident that some batches of our *Latiao* products were declared by the food and drug administration agencies of certain provinces as being inconsistent with relevant standards. In 2019, relevant national-level regulators provided clear guidance for the classification of *Latiao* as seasoned flour product, led to a more clear and more unified standard applicable to *Latiao* across different provinces for us to comply with, and reducing the likelihood of the re-occurrence of similar incident in the future. See "– Risks relating to Doing Business in China – Any major changes in relation to food safety regulations and relevant policies may affect our business." As of the Latest Practicable Date, we had not received any administrative penalties as a result of such incident. In 2019, China Central Television, in its annual "3.15" investigation program, revealed certain sanitary issues in the production process by some small-scale producers of seasoned flour products, which raised public concerns over food safety issue in the spicy snack food industry. Complaints or claims against us, if any, even if without any sufficient evidence, could force us to divert our resources, which may adversely affect our business, operations and financial performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- expanding our sales and distribution network;
- enhancing our research and development capabilities;
- hiring and training qualified personnel;
- controlling our costs and maintaining sufficient liquidity;
- prioritizing our financial and management controls in an efficient and effective manner;
- exercising effective quality control;
- managing our various suppliers and leveraging our purchasing power;
- maintaining our high food-safety standards; and
- strengthening our existing relationships with distributors.

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

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

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

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

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

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

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

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

Our revenue generated by online sales channels had been growing significantly due to the increasing sales online. However, as online and social media platforms continue to grow in popularity, any significant growth in our sales through online sales channels in the future may give rise to competition between offline and online sale channels. If we fail to balance the marketing efforts or optimize product mix and pricing strategies among our online and offline sales channels, or otherwise fail to effectively manage the integration of these channels, the competition among these channels may adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. An outbreak of any epidemics or pandemics in China may adversely affect the local economy and willingness to spend in local areas and result in a decrease in the number of our customers in such areas. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations. See "– The outbreak of COVID-19 adversely affected, and may continue to affect, the demand for our products, our business operations and financial conditions." Our operations are also vulnerable to natural disasters and other catastrophic events, including wars, terrorist attacks, earthquakes, typhoons, fires, floods, extreme high temperature events, power failures and shortages, water shortages, information system failures, and similar events that may or may not be foreseeable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may face the risk of inventory obsolescence.

As of December 31, 2019, 2020, 2021 and June 30, 2022, we had inventories of RMB399.9 million, RMB541.0 million, RMB604.3 million and RMB510.8 million respectively. Our inventory turnover days in 2019, 2020, 2021 and the six months ended June 30, 2022 were 60 days, 67 days, 70 days and 72 days, respectively. See "Financial Information – Key Line Items of our Current Assets and Liabilities." Our business relies on consumer demand for our products, which depends substantially on factors such as (i) consumer spending patterns, (ii) consumer preferences and tastes, (iii) consumer income, (iv) consumer perceptions of and confidence in our product quality and food safety, and (v) consumer lifestyle. Any change in consumer demand for our products or the occurrences of catastrophic events may have an adverse impact on our product sales, which may in turn lead to inventory obsolescence, decline in inventory value or inventory write-off.

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

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

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

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

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

We currently hold a collection of intellectual property rights relating to certain aspects of our business operation. Such intellectual property consists primarily of trademarks, patents and copyrights. As of the Latest Practicable Date, we had registered 924 trademarks, 169 patents, 102 work copyrights and 14 software copyrights in China. Details of our intellectual property rights are set out in "Business – Intellectual Property" and "Appendix IV– Statutory and General Information – B. Further Information about our Business – 2. Intellectual Property Rights." As of the Latest Practicable Date, we were not aware of any material violations or infringements of our trademarks, copyrights, patents or any other intellectual property rights.

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

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

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

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

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

We may consider growing our business through organic growth, and investments in and/or acquisitions of companies that are complementary to our business in the future. Our ability to grow through acquisition depends upon our ability to identify, negotiate, and complete suitable acquisitions and to obtain any necessary financing for such acquisitions. We have limited experience in acquisitions. We may not be able to successfully identify appropriate potential acquisition targets, and even if we were able to do so, we may not be able to successfully execute any proposed acquisitions. If we undertake such acquisition but fail to either complete the acquisition or integrate the acquired businesses successfully into our existing operations, our share price, business, financial condition, results of operations and prospects may be materially and adversely affected.

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

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

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

In April 2022, our Company, our Controlling Shareholders and Pre-**[REDACTED]** investors entered into a supplemental agreement of share purchase agreement, pursuant to which our Company issued and sold to these investors a total number of 157,626,890 ordinary shares, at a par value of US$0.00001 of each share, for a consideration of US$1,576.2689. In accordance with the relevant accounting standards, such an issuance of shares resulted in a one-off share-based payment expense of RMB628.8 million charged to our consolidated statements of profit or loss in 2022. As the result, we recorded a net loss of RMB260.8 million in the six months ended June 30, 2022, which may affect our profitability and results of operations in 2022.

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

We generally require our offline distributors to make payments by cash before delivery. In line with the industry practices, we grant up to 90 days of credit terms for credit sales of products. As of December 31, 2019, 2020, 2021 and June 30, 2022, our trade receivables were RMB18.6 million, RMB40.7 million, RMB56.1 million and RMB54.3 million, respectively. As of December 31, 2019, 2020, 2021 and June 30, 2022, our other receivables were RMB9.7 million, RMB5.9 million, RMB13.8 million and RMB10.9 million, respectively. We cannot assure you that our customers or other parties could make payments to us in a timely manner. Prolonged process of payment of such entities may cause an adverse effect on our liquidity position and working capital efficiency, which may in turn increase our finance costs and adversely affect our business operation and financial performance.

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

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

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

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

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

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

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

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

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

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

During the Track Record Period, we enjoyed preferential tax treatment under relevant preferential tax policies. We cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. The PRC Enterprise Income Tax Law and its implementation rules have adopted a statutory enterprise income tax rate of 25%. During the Track Record Period, our Chinese subsidiaries paid an enterprise income tax rate of 25%, except for certain subsidiaries which enjoyed preferential tax treatment, including in particular, a subsidiary which was exempt from income tax for engaging in agricultural business. If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations.

We also receive government grants, primarily in the form of nonrecurring financial assistance from the local governments. Our government grants recorded in the consolidated statements of profit or loss amounted to RMB25.1 million, RMB49.4 million, RMB134.5 million, RMB8.7 million, and RMB52.0 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. See "Financial Information – Description of Major Components of Our Results of Operations – Other Income, Net." We cannot assure you that we will continue receiving or benefiting from such grants in the future.

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

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

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

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

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

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

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

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

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

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

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

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make social insurance premium contributions and housing provident funds for our employees. During the Track Record Period and as of the Latest Practicable Date, we had not made social insurance and housing provident fund contributions for some of our employees timely or in full in accordance with the relevant Chinese laws and regulations. The provision we have made related to social insurance and housing provident fund contributions in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 amounted to approximately RMB30.2 million, RMB35.6 million, RMB33.0 million, RMB21.2 million and RMB13.1 million, respectively.

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

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

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

As of the Latest Practicable Date, 40 of our lease agreements were not registered with the appropriate government authorities in China. As advised by our PRC Legal Advisors, if we and the landlords fail to register such lease agreements as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreement. There can be no assurance that the relevant government authorities would not impose administrative penalties on us as a result of the non-registration of these lease agreements. If we are liable for fines because of the non-registration of lease agreements, our business operation could be adversely affected.

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

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

As a manufacturer of snack food products, we are subject to extensive government laws and regulations in relation to food safety in China, and we are required to maintain various licenses and permits in order to operate our business. For example, the Food Safety Law of the PRC (中華人民共和國食品安全法) requires all enterprises engaged in food production to obtain food production license. It also sets out stringent safety standards with respect to food and food additives, packaging and information to be disclosed on packaging, as well as safety requirements for food production and sites, facilities and equipment used for the transportation and sale of food. In addition, relevant government authorities are empowered to conduct random testing of food. Further, relevant administrative authorities in relation to food safety and quality supervision are empowered to enter into production facilities to conduct on-site inspection, sample testing of food, food additives and food-related products being produced.

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

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

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

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

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

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

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

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Further, withholding tax at 10% will normally apply to dividends payable to investors that are non-Chinese resident enterprise by Chinese resident enterprise or on gain recognized by the non-Chinese investors with respect to the sale of shares of the Chinese resident enterprise as such dividend or gain is derived from sources within China. Chinese withholding tax at a 20% rate may apply to dividends paid to and any gain realized by non-resident individual shareholders. If we are deemed by the Chinese tax authorities as a Chinese resident enterprise for tax purpose in the future, the dividends to be distributed by the Company and the gain with respect to the sale of shares of the Company may be regarded as income from "sources within China" and be subject to Chinese income tax, unless such tax is reduced by an applicable income tax treaty between China and the jurisdiction of the non-Chinese investors. It is unclear whether non-Chinese shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and China and if we are required under the EIT Law to withhold Chinese income tax on our dividends payable to our shareholders, or if our shareholders are required to pay Chinese income tax on the transfer of the shares, the returns on our shareholders' investment in our Shares will be reduced.

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

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

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

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

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

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

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

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

On February 13, 2015, the Circular of Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》，the "**SAFE Circular 13**") was promulgated by the SAFE and took effect on June 1, 2015. Pursuant to the SAFE Circular 13, the administrative examination and approval procedures relating to the foreign exchange registration approval under domestic direct investment and the foreign exchange registration approval under overseas direct investment are canceled and direct investment-related foreign exchange registration is directly reviewed and handled by banks. Further, the procedures for some direct investment-related foreign exchange businesses are simplified under the SAFE Circular 13, e.g. the annual inspection of direct investment-related foreign exchange is canceled and registration of existing equity shall be adopted instead.

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

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

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

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

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

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

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

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

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

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities will classify such transaction by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities.

RISKS RELATING TO THE [REDACTED]

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

Before the **[REDACTED]**, there was no public market for our Shares. The initial **[REDACTED]** range of our Shares, and the **[REDACTED]**, will be the result of negotiations between the **[REDACTED]** (on behalf of the **[REDACTED]**) and us.

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

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

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

- actual or anticipated variations of our results of operations;
- loss of key raw material suppliers;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, depositions, strategic alliances or joint ventures;
- addition or departure of key senior management or other key personnel;
- fluctuations in stock market price and volume;
- regulatory or legal developments, including involvement in litigation;
- fluctuations in trading volume or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, China and elsewhere in the world.

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

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

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

Purchasers of our Shares in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

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

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

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

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

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

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

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

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

This document, particularly the section headed "Industry Overview" in this document, contains information and statistics, including but not limited to information and statistics relating to China, the snack food industry and the spicy snack food industry. Such information and statistics have been derived from various official government and other publications and from a third party report prepared by Frost & Sullivan commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the Joint Sponsors, the **[REDACTED]**, any of our or their respective directors, officers or representatives or any other person involved in the **[REDACTED]** and no representation is given as to its accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. Therefore, you should not unduly rely upon the industry facts and statistics contained in this document.

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

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

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

Prior to the publication of this document, there has been press and media coverage regarding us and the **[REDACTED]**, including but not limited to certain financial information, industry comparisons, and/or other information about the **[REDACTED]** and us. There may continue to be additional press and media coverage on us and this **[REDACTED]**. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent with, or conflicts with, the information contained in this document, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this document.