Potential investors should consider carefully all of the information set out in this document and, in particular, should evaluate the following risks associated with an investment in the **[REDACTED]**. *You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or the trading price of the* **[REDACTED]**, *and could cause you to lose all or part of your investment.*

RISKS RELATING TO OUR BUSINESS

We may not be able to maintain a stable supply of raw materials and the availability of our raw materials could be subject to weather conditions and global climate changes.

Our business is dependent on maintaining a stable supply of raw materials. We source unprocessed raw materials such as fungi, grains, algae, dried aquatic products, chicken feet and duck necks from a number of suppliers, including farmers, agricultural cooperatives and corporate suppliers. During the Track Record Period, aggregate total purchases from our five largest suppliers accounted for approximately 28.9%, 34.8% and 39.9%, respectively, of our total purchase in FY2019, FY2020 and FY2021. Purchases from our largest supplier accounted for approximately 6.9%, 10.4% and 13.3%, respectively, of our total purchases in such years. If we are unable to maintain our relationship with any of our major suppliers or if any of them otherwise ceases to supply raw materials to us on the same or similar terms, or at all, such changes may impair our ability to meet our customer orders, which could have a material adverse effect on our business, results of operations and financial condition. Any shortage in raw materials or fluctuations in market prices could negatively affect our purchase price from suppliers. Risks such as social and political unrest, economic volatility and climate conditions in the regions where we source our raw materials could also negatively and materially affect our purchase price. If we are unable to obtain stable supply for our raw materials due to any of the above factors, our results of operations, profit margins and profitability could be adversely affected. In addition, replacing a supplier may require that we divert attention and resources away from our business. If we are unable to identify suitable replacement suppliers in a timely manner, or at all, our business and results of operations could be materially and adversely affected.

In addition, the harvesting and cultivation of agricultural products such as fungi, grains as well as aquatic products and algae are subject to natural conditions which are beyond our control. In the event of unfavourable weather conditions, the quantity or quality of raw materials available to us could be affected. For instance, any large scale flooding or other kind of natural disaster may significantly reduce the supply and increase the price of our raw materials in the market, which in turn affect our gross margin. In addition, global climate change and ocean acidification may also affect the supply of our raw materials. If we are unable to secure sufficient supplies of raw materials, our business, results of operations and financial position could be materially and adversely affected.

We are susceptible to fluctuations in raw materials prices.

Our competitiveness, costs and profitability depend, in part, on our ability to source and maintain a stable and sufficient supply of raw materials at acceptable prices. Our major raw materials include fungi, grains, dried aquatic products, algae, chicken feet and duck necks and packaging materials. We procure all of our raw materials in the PRC. For FY2019, FY2020 and FY2021, our direct material costs amounted to approximately RMB186.4 million, RMB172.2 million and RMB209.6 million respectively, representing approximately 92.7%, 89.5% and 89.7% of our total cost of sales, respectively. If we are unable to obtain raw materials in the quantities and quality that we require, our volume and/or quality of production will decline, which in turn may have a material adverse effect on our results of operations.

Our raw materials are subject to price volatility caused by external factors beyond our control, such as climatic and environmental conditions, and commodity price fluctuations. An increase in the prices of our raw materials or any inability to secure alternative suppliers may increase our cost of sales and have a material adverse impact on our profit margins and hence our profitability. Our total costs of raw materials are expected to continue increase in the foreseeable future, consistent with the general trend of rising commodity prices in the PRC. Fluctuations in our raw material prices may result in unexpected increases in production costs, and if we are unable to manage these costs or to pass on any such increase to our customers, our profitability will decrease. Hence, any significant increase in the price of our raw materials may materially and adversely affect our business, results of operations and financial position.

If our customers fail to receive their products as scheduled, our sales and reputation may be materially and adversely affected.

If our customers fail to receive their products as scheduled, they may cease placing orders with us and our sales and reputation may be materially and adversely affected.

We appoint third-party logistics service providers for transportation and delivery of some of our products and we bear the costs of such product delivery. The services provided by these logistics service providers could be interrupted and the delivery of our products to our customers may be delayed. Delivery disruptions may occur for various reasons beyond our control, including transportation bottlenecks, adverse weather conditions, natural disasters, social unrest and labour strikes, which could result in delayed or lost deliveries. If our customers fail to receive their products as scheduled, they may cease placing orders with us and our sales and reputation may be materially and adversely affected. Poor handling by logistics service providers could also damage our products.

In addition, our suppliers may experience interruptions or delays in the delivery of the processed products and raw materials to us due to factors outside of our control, which could materially and adversely affect our business. Any delayed or missing deliveries or improper handling of our products by the logistics service providers may result in loss of revenue, payments of compensation to our customers and damage to our reputation, and may materially and adversely affect our business, results of operations and financial position.

Moreover, 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 transportation expenses, which may in turn negatively affect our results of operations.

Our efforts in developing, launching and promoting new products may not be successful.

The agricultural food product processing and snack food industry in the PRC are highly competitive and consumers are tempted to switch their choices when new products, marketing campaigns or pricing campaigns are launched. In light of the highly competitive and volatile environment, our future growth depends on our ability to continuously introduce new products to meet such changing demands. We cannot assure you that our new products, flavours or packaging will gain market acceptance or suit the particular tastes or requirements of the consumers. We may not be able to introduce new products that are acceptable to our consumers or capable of generating sufficient profit margins to recover our costs. In addition, we may fail to adjust our production of unsuccessful products without incurring significant costs. To the extent that we are unable to introduce new products, improve our portfolio of products and satisfy consumers' changing preferences, our market share and financial performance may be materially and 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 beginning of 2020, the outbreak of COVID-19 has materially and adversely affected the global economy. In response to the COVID-19 outbreak, the PRC Government implemented strict measures to control the outbreak in China, including schools and businesses closures, transport suspension and city lockdowns. Consumer demand was negatively affected by the outbreak and the government's relevant control measures.

The COVID-19 outbreak has affected our business operations in various aspects. Our Nanchang Plant and Guangchang Plant suspended production for 13 days and 15 days, respectively, in February 2020. Our revenue slightly decreased in FY2020, as COVID-19 negatively affected the trading sales to our customers. For details, please refer to the paragraph headed "Financial Information — Description of Selected Items in Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue" in this document. We incurred additional administrative expenses to purchase personal protection equipment and put in place other precautionary measures to ensure the health and safety of our employees. Whilst the COVID-19 outbreak has been largely under control in China, 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. More recently, there have been regional outbreaks of COVID-19 variants including the highly transmissible Delta and Omicron. In response, local governments in the affected areas imposed various restrictions on business and social activities, including city lockdowns, work-from-home requirements, restrictions on travel and other emergency quarantines. 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. Please refer to the paragraph headed "Business — Effects of the COVID-19 Outbreak" in this document for details.

Our business depends significantly on the strength of our brands and reputation. If we fail to maintain and enhance our brands and reputation, consumers' recognition of and trust in us and our products, our business operations and financial conditions may be materially and adversely affected.

We rely heavily on the strength of our "Shengyao (聲耀)" and "Gangweifang (贛味坊)" brands and reputation when selling and marketing our products. Our brand and reputation could be harmed by product defects, ineffective customer services, product liability claims, consumer complaints, negative publicity or media reports.

Negative publicity or media reports regarding other food providers in China could also negatively affect the agricultural food product processing and snack food industry as a whole and our business, even if our products do not otherwise suffer from such issues. Such adverse publicity could negatively affect our sales, increase the PRC Government's supervision of our industry and have a material adverse effect on our business, results of operations and financial condition.

Any negative claim against us, even if meritless or unsuccessful, could divert our management's attention and other resources from our other business concerns, which may materially and adversely affect our business and results of operations. During the Track Record Period, our products had been the subject of news reports and allegations had been made against us in relation to product quality and safety. Negative media coverage regarding the safety, quality or nutritional value of our products, and the resulting negative publicity, could materially and adversely affect the level of consumer recognition of, and trust in, us and our products. In addition, adverse publicity about any regulatory or legal action against us could damage our reputation and brand image, undermine our customers' confidence in us and reduce demand in our products, even if the regulatory or legal action is unfounded.

Additionally, we may be subject to risks affecting participants in the agricultural food product processing and snack food industry generally, such as environmental pollution and food contamination, spoilage or contamination of raw materials, presence of excessive chemical additives, consumer product liability claims, product tampering, product labelling errors, inadequate enforcement of food-safety regulations and inspection procedures and potential cost and disruption of product recalls. While these events may not have any direct connection to us, they may negatively influence consumer perception and demand for our products, even if they do not involve our products or operations, which could materially and adversely affect our results of operations.

Any failure to maintain an effective quality control system or to adhere to our quality standards could have a material adverse effect on our business, financial condition and operating results, as well as our brand and reputation.

We focus on food safety and quality consistency of our products as they are essential to the success of our business. The quality consistency of our products is dependent on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the quality control system, the effectiveness of our quality control training and our ability to ensure that our employees adhere to our quality control policies and guidelines. For further details of our quality control system, please refer to the paragraph headed "Business — Quality Control and Food Safety" in this document.

Any failure of our quality control system or non-adherence to the measures under such quality control system could result in the production of defective or substandard products, which may, in turn, damage our reputation, result in delivery delays, product returns or require us to replace defective or substandard products, which may materially and adversely affect our business, financial condition and operating results. In addition, we may be subject to product liability claim and may be held liable to pay compensation and damages to any end consumers affected by our products. In case any such claims materialise, our corporate image and reputation may suffer, which may result in our customers losing faith and confidence in our products.

If our relationships with our major customers deteriorate, our ability to sell our products may be materially and adversely affected.

Our customers are primarily retailers such as supermarkets and grocery stores, corporate customers and other individual customers. For FY2019, FY2020 and FY2021, sales to our five largest customers amounted to approximately RMB233.8 million, RMB242.7 million and RMB279.6 million, respectively, representing approximately 78.6%, 85.8% and 81.8% of our total revenue during the corresponding years; whilst sales to the largest customer amounted to approximately RMB115.8 million, RMB121.5 million and RMB149.3 million, respectively, representing approximately 38.9%, 42.9% and 43.7% of our total revenue during the corresponding years.

For details of our five largest customers, please refer to the paragraph headed "Business — Customers" in this document. We did not enter into long-term framework sales agreement with our customers, therefore our customers may cease purchasing products from us at any time. Any disruption in the relationships with our customers could affect our ability to effectively sell our products and would materially and adversely affect our business, results of operations and financial position.

In addition, our customers, including supermarkets and other retailers, may not be able to sell our products successfully or maintain their competitiveness as a result of various factors. If the sales volume of our products to the end consumers are reduced, our customers may cease placing orders for new products with us, reduce their order volume or demand lower prices. Any loss of our customers or reduction in customer orders could materially and adversely affect our revenue.

Furthermore, we rely on large-scale customers, such as supermarkets, to sell a significant portion of our products. If we do not successfully provide appropriate marketing, product packaging, pricing and other services to these customers, our product availability and sales could suffer. The loss of sales of any of our products to a major customer could have a material adverse effect on our business, results of operations and financial position.

We sell our products to the end consumers over concessionary counters in supermarkets, and we may not be able to renew or continue concessionary counter arrangements with supermarkets.

We sell our products to the end consumers over concessionary counters in supermarkets in China. For FY2019, FY2020 and FY2021, we generated revenue of approximately RMB29.2 million, RMB38.7 million and RMB50.6 million, respectively, from our sales over concessionary counters, representing approximately 9.8%, 13.7% and 14.8% of our total revenue for the corresponding years, respectively. Supermarkets may charge us concession or promotion fees for operation of concessionary counters or may assign us to a less desirable area of the supermarkets when we seek to renew or negotiate our concessionary counter arrangements with them.

We cannot guarantee that we will be able to renew or continue concessionary counter arrangements with supermarkets on the same terms or on terms that are more favorable to us, in a timely manner or at all, or that certain of our concessionary counter arrangements with supermarkets will not be terminated. If any of these situations happens, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may experience delays or defaults in receiving our trade receivables and a failure to receive such payment on time and in full may affect our liquidity position.

Our trade receivables consist primarily of receivables from our customers. Trade receivables amounted to approximately RMB74.3 million, RMB52.4 million and RMB63.2 million as at 31 December 2019, 2020 and 2021, respectively. The decrease in trade receivables from approximately RMB74.3 million as at 31 December 2019 to approximately RMB52.4 million as at 31 December 2020 was generally in line with the decrease in our revenue during the corresponding years. The trade receivables increased from approximately RMB52.4 million as at 31 December 2020 to approximately RMB63.2 million as at 31 December 2021 was generally in line with the increase in our revenue during the corresponding years. We generally grant credit terms of between 30 days to 90 days to our customers. For FY2019, FY2020 and FY2021, the impairment provision were RMB1.8 million, RMB1.2 million and RMB0.3 million, respectively, accounting for approximately 2.4%, 2.3% and 0.5% of our trade receivables as at 31 December 2019, 31 December 2020 and 31 December 2021, respectively.

If a customer delays payment, our cash flow and working capital may be materially and adversely affected. Even where we are able to recover any losses incurred pursuant to the terms of the contract, the process of such recovery is usually time consuming and requires financial and other resources to settle the disputes. Furthermore, there can be no assurance that any outcome will be in our favour or that any dispute will be resolved in a timely manner. Failure to secure adequate payments in time or to effectively manage past due debts could have a material and adverse effect on our business, financial position, results of operations and prospects. During the Track Record Period, we have not encountered any material delay in payment by our customers.

However, there can be no assurance that such payment will be made on time by our customers in the future. Any failure by our customers to make payment to us on a timely manner may have a material and adverse effect on our future liquidity position.

We may be unable to effectively manage our future growth and expansion.

Our future growth may result from expanding our packaging capacity, introducing new products, expanding our sales and promotion team and entering new markets or new sales channels. Our ability to achieve growth or materialise our expansion plan will require us to meet a number of challenges, including:

- competing with existing companies in our markets;
- sourcing additional suppliers of raw materials that satisfy our quality requirements;
- managing our various suppliers;
- expanding our sales and marketing team;
- enhancing our product development capabilities;
- controlling our costs and maintaining sufficient liquidity;
- prioritising our financial and management controls in an efficient and effective manner;
- exercising effective quality control;
- maintaining our high food-safety standards;
- strengthening our existing relationships with our customers; and
- market acceptance of our products.

We face increased risks when we enter new geographic markets in China or develop new sales channels, as our experience in these new markets and with new sales channels may be limited. New markets and sales channels may have different regulatory requirements, competitive conditions, consumer preferences and consumer discretionary spending patterns from our existing markets and sales channels. Consumers in new markets and sales channels are likely to be unfamiliar with our brand and products and we may need to build or increase brand awareness in the relevant markets and sales channels by having more advertising and promotional activities than we originally planned. As a result, the investment cost of introducing products in new markets may be higher 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.

Inevitably, 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 materially and adversely affect our growth prospects. In addition, our expansion plan may be subject to China's environmental protection laws and regulations. These laws and regulations may require us to adopt effective measures to control and properly dispose of waste materials, waste water and other environmental waste materials. Fines may be levied against us if we cause pollution in excess of permitted levels. If our failure to comply with such laws or regulations (especially in the locality of the new markets that we may be less familiar with) results in environmental pollution, the administrative department for environmental protection can levy fines. If the circumstances of the breach are serious, the PRC Government may suspend or close any operation on us failing to comply with such laws or regulations.

We may incur fixed costs in connection with our business plan and may not be able to obtain additional capital to pursue our long-term business plan.

We will require additional working capital to support our long-term business plan. For example, we intend to acquire new production lines for our instant vegetable snacks and instant meat snacks. Please refer to the paragraph headed "Business — Business Strategies — Expansion of our production capacity and enriching our product offerings" in this document for further details.

The construction of new factory building in our Guangchang Plant and the purchase of new production lines will incur a significant amount of fixed costs and our investment may not be paid back in a timely manner or at all. Our working capital requirements and the cash flow provided by future operating activities, if any, will vary greatly from period to period. We may not be able to obtain adequate levels of additional financing, whether through equity financing, debt financing or other sources. Additional financings could result in significant dilution to our earnings per share or the issuance of securities with rights superior to our current outstanding securities. If we are unable to raise additional financing, we may be unable to implement our long-term business plan, develop or enhance our products and services, take advantage of future opportunities or maintain our competitive advantages on a timely basis, if at all. In addition, a lack of additional financing could force us to substantially curtail our business plan.

Demand for our products is subject to changes in consumer taste, preferences, perceptions and spending patterns.

Demand for our products depends substantially on consumer spending pattern, which is affected by factors such as consumer preferences and tastes, our consumers' disposable income, consumer perceptions of our product safety and quality and general food safety issues. A decline in the demand for our products could occur as a result of a change in any of the factors described above at any time, and our future success will depend partly on our ability to anticipate, identify or adapt to such changes and to timely develop and execute advertising and promotion strategies.

Although we dedicate resources to gather market and collect feedback on our products and packaging from our retailer customers such as supermarkets and end consumers in order to upgrade our existing products and to develop, design and launch new products in accordance with 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. 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 adapt our product portfolio to changes in seasons, market trends or shifts in consumer preferences and tastes. We may not be able to introduce new products that are in faster growing and more profitable categories or reduce our provision of products in categories experiencing sales declines. Additionally, trends and shifts in consumer preferences and tastes may apply downward pressure on sales and pricing or lead to increased levels of selling and promotional expenses. Any of these factors could have a material adverse impact on our financial condition and results of operations.

Our operations may be interrupted due to mechanical failures, utility shortages or stoppages, fire, acts of God or other calamities at or near our production facilities.

Our storage facilities and production facilities rely on the continued function of equipment, personnel, electricity and other utilities. 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 in-house electrician and mechanic who are responsible for routine inspection and maintenance of our machinery and equipment, the failure of equipment manufacturers or our employees to conduct timely repairs on our machinery and equipment could interrupt the operation of our production facilities for extended periods of time. Any extended downtime could result in a loss of sales.

Furthermore, our operations depend on a continuous and adequate supply of electricity. If there are any shortage of electricity, the PRC authorities may require our production facilities to be shut down periodically. Any disruption in the supply of electricity at our production facilities would disrupt our packaging and storage, and could cause deterioration or loss of our products. This could materially and adversely affect our ability to fulfil our sales orders and consequently may have a material adverse effect on our business and operations.

In addition, our production facilities and operations are subject to various risks. Fire, earthquakes, natural disasters, pandemic or extreme weather, including droughts, floods, excessive cold or heat, typhoon or other storms, causing power outages, damage to our production facilities or disruption of transportation channels, among other events, could significantly interfere with our operations. Any failure to take adequate steps to mitigate the potential impact of unforeseeable events or to effectively respond to such events could materially and adversely affect our business, financial condition and results of operations.

We may face the risk of inventory obsolescence.

As at 31 December 2019, 2020 and 2021, we had inventories of approximately RMB62.4 million, RMB98.2 million and RMB106.5 million, respectively. Our inventory turnover days for FY2019, FY2020 and FY2021 were 120.3 days, 152.5 days and 160.0 days, respectively. Please refer to the paragraph headed "Financial Information — Selected Items of Combined Statements of Financial Position — Inventories" in this document for details. Our business relies on consumer demand for our products, which depends substantially on factors such as consumer preferences and tastes, our consumers' disposable income, consumer perceptions of our product safety and quality and general food safety issues. 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.

We generally estimate demand for our products ahead of production and the actual time of sale. We cannot assure you that we can accurately predict these trends and events and avoid under or over-stocking inventory. A sudden decrease in the market demand for our products and the corresponding unanticipated drop in the sales of our products could cause our inventory to accumulate, and we may be forced to rely on markdowns or promotional activities to dispose unsold items, sometimes at prices below cost, which in turn may adversely affect our financial condition and results of operations. On the other hand, if we under-stock inventory, we may lose sales and our results of operations may be adversely affected.

We may not be able to protect our intellectual property rights, and our ability to compete could be harmed if our intellectual property rights are infringed by third parties.

As at the Latest Practicable Date, we had registered 16 trademarks in the PRC, 14 of which were "Shengyao (聲耀)" and two of which were "Gangweifang (贛味坊)". Our products are marketed under our trademarks and brand name and they are critical to our continued success and growth. Any damage to our brand may affect our sales and reputation. Counterfeiting and imitation of branded products occurs from time to time in China. We cannot assure you that we will be able to promptly detect the presence of counterfeited products in the market. Occurrence of counterfeiting or imitation could impact our reputation and brands, which may lead to loss of consumer confidence, reduced sales or higher administrative costs in respect of detection and prosecution.

If the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights, we could suffer losses in profits due to the sales of competing products, which exploit our intellectual property rights. We may also be subject to disputes, claims or litigations involving our intellectual property rights or third-party intellectual property rights and we may be accused of infringing the intellectual property rights of others. Any of these developments could disrupt our business, divert our resources and management's attention from our operations and materially and adversely affect our financial condition and results of operations and prospects.

We may not be able to attract and retain our key personnel for our operation.

Our future business performance and prospects depend significantly on our Directors and senior management, as they are in charge of the overall planning of the development of our Group and the direction of our operations. In particular, we rely on our executive Directors who have served our Group for an average of more than 17 years with rich experience in food and trading, sales and marketing as well as business management experience. If our executive Directors were to terminate their employment with us, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all. Failure to attract and retain our personnel could materially and adversely affect our results of operations and business prospects.

Our performance depends on favourable labour relations with our employees, and any deterioration in labour relations, shortage of labour or material increase in wages may have a material adverse effect on our results of operations.

Our continued business success depends on our skilled and talented employees. In particular, our fungi, grains, dried aquatic products and algae are packaged at our production facilities. The packaging processes are relatively labour intensive, and our success depends on our ability to hire, train, retain and motivate our employees. We believe the quality of our labour relationships can significantly affect our performance, and any deterioration of our labour relations could cause labour disputes that could disrupt our operations. Since economic reform and liberalisation, China has experienced rapid economic growth, which has resulted in a significantly increased labour costs. For FY2019, FY2020 and FY2021, our direct labour costs included in cost of sales amounted to approximately RMB7.3 million, RMB11.1 million and RMB11.8 million, representing approximately 3.6%, 5.8% and 5.1% of our total cost of sales, respectively. Average labour wages are expected to increase. In addition, we may need to increase our total compensation to attract and retain experienced personnel required to achieve our business objectives. Any material increase in our labour costs may have a material 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 various machinery and equipment with washing, slicing, cooking, sterilising and packaging functions, 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.

Our insurance coverage may not be adequate to cover all the risks.

During the Track Record Period, we had maintained limited insurance coverage, which we believe is customary for business of our size and type and in line with the standard commercial practice in our industry. For further details, please refer to the paragraph headed "Business — Insurance" in this document. However, there is no guarantee that our existing insurance policies will be able to fully protect us from all liabilities. In addition, we do not maintain insurance policies against business interception, third party personal injury or environmental liabilities. If we are exposed to the liabilities in respect of any of these uninsured risks or if we do not have adequate insurance coverage, our business, financial condition, results of operations and the prospects could be materially and adversely affected.

We may face product liability claims related to our raw materials, our products or the general agricultural food product processing and snack food industry, and such claims could materially and adversely affect our reputation and our ability to sell our products.

We may face product liability claims. The consumption of food products may cause illness or, in extreme cases, death. Such illness or death may result from unauthorised tampering by third parties or product contamination or degeneration, including the presence of foreign contaminants, chemical substances or other agents or residues that could be exposed to our products at any stages of procurement, food processing, transportation and storage. Such illegal or harmful substances that we are not able to detect or identify using our standard procedures may exist in the raw materials due to the failure of our staff to follow the standard production policies in the production process or may result from improper handling during transit by third-party logistics service providers or suppliers. Further, sale of our food products in China is also subject to relevant PRC laws and regulations that are generally applicable to the sale of goods, such as the Product Quality Law of the PRC (《中華人民共和國產品質量法》) and the Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》). Please refer to the paragraph headed "Regulatory Overview — Product Quality and Product Liability" in this document for further details.

In the event that any of our products is contaminated or results in any illnesses or deaths as a result of being unfit for human consumption, we may be subject to regulatory investigations or product liability claims and be required to compensate affected parties. 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 to remedy our damages. Even if any such litigation is resolved in our favour, 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, in which case our business, results of operations and financial position will be materially and adversely affected.

If our raw materials or products are found to be spoiled, contaminated, containing excessive chemical additives, tampered with or incorrectly labelled, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected. During the Track Record Period, we did not involve in any material incidents related to product quality.

We may not be able to obtain or renew the necessary licences and permits for our business or maintain our existing standard certifications.

In accordance with Chinese laws and regulations, we are required to obtain and maintain various licences and permits in order to operate our business. We are also subject to regular or irregular sample inspections by the regulatory authorities for compliance with the relevant laws and regulations in the PRC, including Food Safety Law of the PRC (《中華人民共和國食品安全法》), the Implementing Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》), Administrative Measures of Food Production Licensing《食品生產許可管理辦法》 and Administrative Measures for Food Operation Licensing 《食品經營許可管理辦法》. Although we have obtained necessary approvals, licenses and permits to operate our 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. Please refer to the paragraph headed "Business — Licences and Permits" in this document for details of our licences and permits as at the Latest Practicable Date. Failure to pass these inspections or failure to obtain or renew our licences and permits when they expire could lead to confiscation of illegal gains and products, fines, suspension of production or business and rescission of licences on us, which could disrupt our operations and materially and adversely affect our business.

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.

The government grants received by our Group during the Track Record Period were generally one-off in nature.

During FY2019, FY2020 and FY2021, we received certain government grants and subsidies of approximately RMB4.1 million, RMB4.6 million and RMB3.7 million, respectively. These government grants were generally one-off in nature. Please refer to note 7 to the Accountants' Report as set out in Appendix I to this document for further details. There is no assurance that our Group will receive such government grants or subsidies for the financial years afterwards and our financial position may be adversely affected if we fail to obtain any of such government grant or subsidies in the future.

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

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Administrative Regulations on the Housing Provident Fund of the PRC (《住房公積金管理條例》), we are required to make social insurance premium contributions and housing provident funds for our employees. Our PRC subsidiaries have in the past failed to make full contribution to the social insurance premiums and housing provident funds in a timely manner. We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay during FY2019, FY2020 and FY2021 was approximately RMB4.7 million, RMB1.7 million and RMB1.8 million, respectively. As advised by our PRC Legal Advisers, the relevant PRC 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. In case we fail to make payments of outstanding housing provident fund contributions prior to the stipulated deadline imposed by the relevant government authorities, we may be subject to an order from the relevant people's courts to make such payment. For further details, please refer to the paragraph headed "Business — Non-Compliance" in this document.

If our preferential tax treatment becomes unavailable, our results of operations may be adversely affected.

During the Track Record Period, two of our subsidiaries, Jiangxi Zhengwei and Guangchang Zhenglian, were approved for the High and New Technology Entities qualification under the EIT Law and its relevant regulations and are entitled to a preferential tax rate of 15% during the Track Record Period.

We cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. The EIT Law and its implementation rules have adopted a statutory enterprise income tax rate of 25%. During the Track Record Period, our PRC 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 such preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations.

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, labour disputes or contract disputes that could have a material adverse effect on our financial condition. These actions could also expose us to adverse publicity, which might materially and 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 materially and adversely affect our financial condition. In addition, any litigation or legal proceedings may require substantial legal expenses as well as significant time and attention from our management, diverting their attention from our business and operations.

RISKS RELATING TO OUR INDUSTRY

China's agricultural food product processing and snack food industry is affected by fluctuations in the domestic economy and financial markets.

Our business operations may be materially and adversely affected by changes in local economic conditions in the markets in which we operate. Weak economic conditions may reduce consumer demand for our products, lead to potential insolvencies among our suppliers, retailers or corporate customers and counterparties or otherwise increase our operational challenges. Any slowdown in the economy could reduce consumer confidence and their level of disposable income, which could reduce demand for our products, affecting our business, results of operations and financial position.

In addition, the general lack of available credit and confidence in the financial markets associated with any market volatility or downturn could materially and adversely affect our access to capital as well as our suppliers' and customers' access to capital, which in turn could materially and adversely affect our ability to fund our working capital requirements and capital expenditures.

Changes in food-safety laws may affect our business.

As a seller of products intended for direct human consumption, we are subject to extensive food-safety laws and regulations in the PRC especially the Food Safety Law of the PRC (《中華人民共和國食品安全法》) and Implementing Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》). Such laws and regulations set forth standards with respect to foods, food additives, food packaging, food safety, food production facilities, food production, food transportation and food sale. Please refer to the paragraph headed "Regulatory Overview — Food Safety" in this document for further details.

There can be no assurance that the PRC Government will not impose additional or stricter laws or regulations on food safety, providing for more stringent or comprehensive monitoring and regulation of food manufacturers in areas including food processing and sale, which may lead to an increase in our costs of complying with such regulations. We may also as a result be subject to fines, suspension of operations, loss of food production licences and, in more extreme cases, criminal proceedings against us and our management. Any of these events could have a material adverse impact on our business, results of operations and financial condition. In addition, we may be unable to pass these additional costs on to our customers, which may result in a material adverse effect on our results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in political, social and economic policies in China may materially and adversely affect our business, financial condition, results of operations and prospects.

All of our operating subsidiaries are located in China and all of our business activities are conducted in China. Accordingly, changes in political, social and economic policies in China may materially affect our results of operations and business prospects. The Chinese economy differs from the economies in most developed countries in many aspects, including the level of government involvement, degree of development, economic growth rate and control of foreign exchange. China has been reforming the PRC 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 the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our future business, results or financial condition. Moreover, the PRC 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 operations and business development.

Uncertainties in the Chinese legal system may materially and adversely affect our business and limit the legal protection available to you.

Our subsidiaries and operations are located in China and are subject to the laws and regulations of China. The Chinese legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system have little precedential value and can only be used as a reference. Furthermore, China's statutes are subject to the interpretation by the legislative bodies, the judicial authorities and the enforcement bodies, which increases the uncertainty. Since 1978, when the PRC Government started economic reforms, China has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. Many of these laws and regulations are relatively new and subject to frequent changes and uncertainties in implementation and interpretation. There may also be new laws and regulations to cover new economic activities in China. We cannot predict the future developments in the Chinese legal system. These uncertainties in the Chinese legal system may materially and adversely affect our business and limit the legal protection available to you.

The heightened scrutiny over acquisitions from the Chinese tax authorities may have a material adverse impact on our business or our acquisition or restructuring strategies.

On 3 February 2015, SAT issued Announcement on Several Issues Concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprise (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 or supplemented certain provisions under the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises Equity Transfer Income (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 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise.

There is uncertainty as to the application of Circular 7 and previous rules under Circular 698. Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Circular 7 or to establish that we and our non-resident enterprises should not be taxed under Circular 7 for our previous and future restructurings or share disposals of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

We may be considered a "PRC resident enterprise" under the EIT Law, which could result in our global income being subject to a 25% EIT.

We are a holding company incorporated under the laws of the Cayman Islands. We conduct our business through our operating subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "PRC resident enterprises" and thus will generally be subject to an EIT at the rate of 25% on their global income. On 6 December 2007, the State Council adopted the Regulation on the Implementation of EIT Law, effective on 1 January 2008, which defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises". Currently, all of our management is based in the PRC, and may continue to be based in the PRC in the future.

If we were considered a PRC resident enterprise, we would be subject to the EIT at the rate of 25% on our global income, and any dividends or gains on the sale of our Shares received by our non-resident enterprise Shareholders may be subject to a withholding tax at a rate of up to 25%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from EIT, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the EIT Law, our financial position and results of operations may be materially and adversely affected.

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

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 25%, 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 Hong Kong Tax Treaty, are met, the withholding rate could be reduced to 10%. However, SAT promulgated Circular 601 on 27 October 2009, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be adopted based on a "substance over form" analysis to determine whether or not to grant tax treaty benefits to a "conduit" company.

It is unclear whether Circular 601 applies to dividends from our PRC operating subsidiaries paid to us through Zhengwei Group, our indirect subsidiary incorporated in Hong Kong which holds our PRC entities. If, under Circular 601, Zhengwei Group were not considered the "beneficial owner" of any such dividends, such dividends would, as a result, be subject to income tax withholding at the rate of 25% rather than the more favourable 10% rate applicable under the Hong Kong Tax Treaty. In that case, our financial position and results of operations may be materially and adversely affected.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us or otherwise materially and adversely affect our financial position.

On 4 July 2014, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) or Circular 37, which states that: (i) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of SAFE before it contributes the assets of or its equity interest into a special purpose vehicle, for purpose of investment and financing, and (ii) when the special purpose vehicle undergoes a change of basic information (such as a change of a PRC resident natural person shareholder, name or operating period) or a material event (such as a change of share capital held by a PRC resident natural person, merger of split), the PRC resident shall register such change with the local branch of SAFE timely.

All PRC ultimate individual shareholders of our Company, who are PRC residents, were required to make the foreign exchange registration under Circular 37 and have completed such registration with SAFE or its local counterpart. However, we may not at all times be fully aware or informed of the identities of all our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with the requirements of Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC citizens or residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, Circular 37 or other related regulations. According to Circular 37 and relevant PRC foreign exchange regulations, if any of our Shareholders who are required to make the foreign exchange registration and amendment fails to do so, our PRC subsidiaries may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from providing our PRC subsidiaries with loans denominated in foreign currencies of injecting additional capital into our PRC subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liabilities for such PRC subsidiaries, and the responsible persons and other person in such PRC subsidiaries who are held directly liable for the violations may be subject to administrative sanctions.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the [REDACTED] from the [REDACTED] to make additional capital contributions or loans to our major PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the **[REDACTED]** from the **[REDACTED]**, are subject to PRC regulations. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under relevant PRC laws and the registered capital of our major PRC subsidiaries, and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our major PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may materially and adversely affect our PRC subsidiaries' liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments and have a material adverse effect on our business, financial condition and results.

Government control of currency conversion and fluctuation in the exchange rates of the Renminbi may materially and adversely affect our business and results of operations and our ability to remit dividends.

All of our revenue and operating costs are denominated in Renminbi. The PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required for foreign currency conversions for payment under capital account items such as equity investments. The PRC Government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. Under our current corporate structure, our revenue is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

The exchange rates of the Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in China's political and economic conditions. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from the **[REDACTED]** into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar may have a material adverse effect on the Renminbi amount that we will receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for purpose of making dividend payments on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would reduce the Hong Kong dollar amount available to us.

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

Substantially all of our assets are situated in the PRC. Most of our Directors and senior management reside within the PRC, and substantially all of their respective assets are located within the PRC. As a result, it may not be possible to effect service of process elsewhere outside the PRC upon us or most of our Directors and officers. Furthermore, the PRC does not have treaties providing for reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. As a result, court judgments against us obtained in other jurisdictions may be difficult or impossible to be enforced in China.

Under the Arrangement on Mutual 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 Agreed Jurisdiction by Parties Concerned (the "**Arrangement**") effective on 1 August 2008, as for an enforceable final judgement made by a PRC court or Hong Kong court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a PRC court or a Hong Kong court for recognition and enforcement. The term "written agreement on jurisdiction" as mentioned in the present Arrangement refers to agreements clearly stipulated in written form by parties concerned that a PRC court or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

RISKS RELATING TO THE [REDACTED]

An active [REDACTED] in our Shares may not develop.

Prior to the **[REDACTED]**, there was no public market for our Shares. The **[REDACTED]** of our Shares is the result of negotiations between us and the Sole **[REDACTED]** (on behalf of the **[REDACTED]**), and the **[REDACTED]** may differ significantly from the **[REDACTED]** for our Shares following the **[REDACTED]**. There is no guarantee that an active **[REDACTED]** for our Shares will develop or, if it does develop, that it will sustain or that the **[REDACTED]** of our Shares will not decline after the **[REDACTED]**.

The [REDACTED] and [REDACTED] of our Shares may be volatile, which may result in substantial losses for investors in our Shares.

The price and **[REDACTED]** of our Shares may fluctuate widely in response to factors beyond our control. The factors that could cause significant **[REDACTED]** change include but do not limit to the following:

- changes in our results of operations, earnings and cash flows, and securities analysts' estimates of our financial performance;
- changes in competitive landscapes of our industries, including strategic alliances, acquisitions or joint ventures by us or our competitors;
- changes in general economic conditions affecting us or our industries;
- regulatory developments, and our inability to obtain or renew necessary licences and permits;
- changes in our senior management;
- fluctuations of the general stock market, particularly fluctuations in stock prices of other companies that operate mainly in China and are listed on the Stock Exchange; and
- material litigation or regulatory investigations affecting us or our senior management.

There will be a time gap of several business days between pricing and [REDACTED] of our Shares offered under the [REDACTED]. The [REDACTED] of the Shares after [REDACTED] begins could be lower than the [REDACTED].

The **[REDACTED]** of our Shares will be determined on the **[REDACTED]**. However, our Shares will not **[REDACTED]** until they are delivered, which is expected to be several business days after the **[REDACTED]**. Investors are unlikely to be able to sell or otherwise deal in our Shares before they **[REDACTED]**. Accordingly, holders of our Shares are subject to the risk that the price of our Shares after **[REDACTED]** begins could be lower than the **[REDACTED]** as a result of adverse market conditions or other adverse development that may occur between the **[REDACTED]** and the time **[REDACTED]** begins.

Control by our Controlling Shareholders of a substantial percentage of our Company's share capital after the completion of the [REDACTED] may limit your ability to influence the outcome of decisions requiring the approval of Shareholders and the interests of our Controlling Shareholders may not be aligned with those of our other Shareholders.

Upon the completion of the **[REDACTED]**, our Controlling Shareholders as a group, namely Mr. Yang and his spouse, Ms. Lin, through Shengyao Investment and Trendy Peak, respectively, together with Nanchang Tongli LP through Prosperous Season will own an aggregate of **[REDACTED]** of issued share capital of our Company without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** and the options that may be granted under the Share Option Scheme. After the completion of the **[REDACTED]**, our Controlling Shareholders will continue to have significant influence on us on various important corporate actions requiring the approval of Shareholders, such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between our Controlling Shareholders' interests and your interests. If our Controlling Shareholders cause us to pursue strategic objectives that would conflict with your interests, your interests in our Company may be materially and adversely affected.

Future sales or major divestment of our Shares by any of our Controlling Shareholders could materially and adversely affect the prevailing [REDACTED] of our Shares.

The **[REDACTED]** of our Shares may be materially and adversely affected by future sales of a significant number of our Shares in the **[REDACTED]** after the **[REDACTED]**, or the possibility of such sales, by our Controlling Shareholders. The Shares held by our Controlling Shareholders are subject to certain lock-up arrangements; please refer to the paragraph headed "**[REDACTED]**" in this document for a detailed description of the restrictions. After the restrictions of the lock-up arrangements expire, our Controlling Shareholders may dispose of our Shares. Sales of a substantial amount of our Shares could materially and adversely affect the **[REDACTED]** of our Shares, which could materially and adversely affect our ability to raise equity capital.

Our future financing may cause dilution of your shareholding or place restrictions on our operations.

In order to raise capital and expand our business, we may consider offering and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;
- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

You will experience immediate and substantial dilution in the book value of your investment as a result of the [REDACTED].

The **[REDACTED]** of our Shares is higher than our net tangible book value per Share immediately prior to the **[REDACTED]**. Therefore, purchasers of our Shares will experience an immediate dilution in **[REDACTED]** net tangible book value per Share. Our existing Shareholders will, however, receive an increase in **[REDACTED]** net tangible book value per Share with respect to their Shares. In addition, if the Sole **[REDACTED]** exercises the **[REDACTED]**, holders of our Shares may experience further dilution.

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

No dividend has been paid or declared by the Company since its incorporation. 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 dividend will depend on various factors, including, our operating results, financial condition, future prospects and other factors which our Board may deem important. Please refer to the paragraph headed "Financial Information — Dividend" in this document for further details of our dividend policy.

Certain facts, forecasts and other statistics contained in this document are obtained from government sources and other third parties and may not be accurate or reliable, and statistics in the document extracted from the Industry Report are subject to assumptions and methodologies set forth in the section headed "Industry Overview" in this document.

In this document, certain facts, forecasts and other statistics concerning China, its economic conditions and the industries are derived from publications of the PRC Government agencies or industry associations, or the Industry Report. Although we have taken reasonable care in extracting those facts, forecasts and statistics, they have not been independently verified by us, the Sole Sponsor, the Sole **[REDACTED]**, the Sole **[REDACTED]**, the Sole **[REDACTED]**, the **[REDACTED]**, any of our or their respective directors, officers or representatives or any other person involved in the **[REDACTED]**. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. You should consider carefully how much weight you should place on those facts, forecasts and statistics.

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This document contains certain future plans and forward-looking statements about us that are made based on the information currently available to our management. The forward-looking information contained in this document is subject to certain risks and uncertainties. Our ability to implement and execute our strategies will depend on various factors including the market conditions, our business prospects, actions by our competitors and the global financial situations.

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

We are an exempted company incorporated in the Cayman Islands with limited liability. Cayman Islands law may differ 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 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 laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those in Hong Kong and other jurisdictions. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this document.