



China Shenghai Food Holdings Company Limited 中國升海食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1676

GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

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



China Shenghai Food Holdings Company Limited 中國升海食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 250,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	: 25,000,000 Shares (subject to adjustment)
Number of International Placing Shares	: 225,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: Not more than HK\$0.84 per Offer Share (payable in full on application in Hong Kong dollars and subject to refund) plus brokerage fee of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005%
Nominal value	: HK\$0.01 each
Stock code	: 1676

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



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

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

Please refer to the section headed "Risk Factors" in this prospectus for a discussion of certain risks that you should consider in connection with an investment in the Shares.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 6 July 2017 and, in any event, not later than Tuesday, 11 July 2017. The Offer Price will be not more than HK\$0.84 per Offer Share and is currently expected to be not less than HK\$0.59 per Offer Share unless otherwise announced.

The Joint Global Coordinators (on behalf of the Underwriters) may with the consent of our Company reduce the number of Offer Shares being offered under the Global Offering and/or indicative Offer Price range below that stated in this prospectus (which is HK\$0.59 to HK\$0.84 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Public Offer Underwriters) if certain circumstances arise prior to 8:00 a.m. on the Listing Date. Such circumstances are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for Termination" in this prospectus. It is important that you carefully read that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, our Company will issue a separate announcement.

- Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at www.hkeipo.hk⁽²⁾ 11:30 a.m. on Thursday, 6 July 2017
- Application lists open⁽³⁾ 11:45 a.m. on Thursday, 6 July 2017
- Latest time to (1) lodge **WHITE** and **YELLOW** Application Forms; (2) complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (3) give **electronic application instructions** to HKSCC⁽²⁾ 12:00 noon on Thursday, 6 July 2017
- Application lists close⁽²⁾ 12:00 noon on Thursday, 6 July 2017
- Expected Price Determination Date⁽⁵⁾ Thursday, 6 July 2017
- Announcement of the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Public Offer, the results of allocations in the Public Offer and the basis of allotment of the Public Offer Shares to be published (a) in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese); (b) on the website of our Company at www.xmwofan.com; and (c) on the website of the Stock Exchange at www.hkexnews.hk on or before Monday, 17 July 2017
- Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available under a variety of channels as described in the section headed "How to Apply for the Public Offer Shares — 11. Publication of results" in this prospectus including the website of our Company at www.xmwofan.com and the website of the Stock Exchange at www.hkexnews.hk from Monday, 17 July 2017
- Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 17 July 2017
- Despatch/collection of share certificates of the Offer Shares on or before⁽⁶⁾. Monday, 17 July 2017

EXPECTED TIMETABLE⁽¹⁾

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before⁽⁶⁾ Monday, 17 July 2017

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Tuesday, 18 July 2017

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Thursday, 6 July 2017, the application lists will not open and close on that day. Further information is set out in the section headed “How to Apply for the Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. Applicants who apply by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for the Public Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or about Thursday, 6 July 2017, and in any event not later than Tuesday, 11 July 2017. If, for any reason, the Offer Price is not agreed by our Company and the Joint Global Coordinators (on behalf of the Underwriters), at or before 12:00 noon on Tuesday, 11 July 2017, the Global Offering will not proceed and will lapse.
6. Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Shares or more under the Public Offer may collect refund cheques and share certificates (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 17 July 2017. Identification and authorisation documents (where applicable) acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer may collect their refund cheques (if any) but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares are the same as those for applicants who apply on **WHITE** Application Forms.

Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for the Public Offer Shares” in this prospectus for details.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatch to the application payment account, in the form of e-Auto Refund payment instructions; whereas applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatch to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at the applicant’s own risk.

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

EXPECTED TIMETABLE⁽¹⁾

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for the Public Offer Shares — 13. Refund of Application Monies" in this prospectus.

e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the initial Offer Price payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Banks may require verification of your Hong Kong identity card number/passport number before cashing your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque, if any.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Global Offering has become unconditional; and (ii) the Underwriters' right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for Termination" in this prospectus has not been exercised and has lapsed.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained in our website, located at www.xmwofan.com, does not form part of this prospectus.

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SUMMARY

This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

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

OVERVIEW

We sell dried seafood, seafood snacks and frozen seafood in the PRC. We also sell algae and fungi in the PRC. We (i) source high quality raw and processed raw materials, (ii) sub-contract processing of the unprocessed raw materials to third parties, (iii) package products at our own packaging facilities or through our sub-contractors, and (iv) sell packaged products under our own brand “Wofan” (沃豐). We also sell dried seafood, algae and fungi without packaging, and sell frozen seafood at a seafood wholesale market.

The market of each type of our product segments is highly fragmented in China. We were one of the fast-expanding market players in the dried seafood market in terms of the retail sales value in China in 2016, with a market share of approximately 0.93% in China. We also had market shares of approximately 0.74%, 0.32% and 0.01% in the algae and fungi, seafood snack and frozen seafood markets in terms of retail sales value in China in 2016, respectively.

We primarily sell our products to supermarkets, trading companies and convenience stores, as well as selling our frozen seafood products through a seafood wholesale market and we also sell through other sales channels such as food companies, gift stores and e-commerce retailers. We have a long sales track record with many of our customers. Almost all of our top ten customers for the years ended 31 December 2014, 2015 and 2016 were acquired prior to the Track Record Period. The growth in our revenue during the Track Record Period was primarily due to an increase in sales to our existing customers and the acquisition of new customers. Please refer to the section headed “Financial Information — Factors Affecting Our Results of Operations — Purchases of our products by our existing customers” on pages 205 to 206 of this prospectus. We believe our customers choose our products mainly based on (i) the Strong Historical Sales Record of our products, supported by effective sales and promotion strategies; (ii) our stable product supply; and (iii) our large and evolving range of diverse product offering. Specifically we have demonstrated our ability to (i) implement effective sales and promotion efforts on our products, including the sales and promotion teams stationed in our customers’ stores to boost sales; and (ii) utilise favourable market intelligence and research analysis conducted or arranged by our customers on our products.

We source high quality raw materials from a number of suppliers, including fishermen suppliers, algae farmers and corporate suppliers. We order our raw materials for our seafood and algae in advance to ensure the stability of our supplies and pricing. We also engage sub-contractors to process our raw seafood and algae products.

We have a large and diverse product portfolio, supplemented by an attractive and growing product pipeline. As at 31 December 2016, we offered 203 types of products. During the Track Record Period, we launched 157 New Product Types and Enhanced Products. For example, through collaboration with the College of Food and Biological Engineering of Jimei University (集美大學食品與生物工程學院), we have launched 12 New Product Types and Enhanced Products during the Track Record Period.

SUMMARY

We had 56 sales representatives and 207 promoters covering nine provinces and three municipalities in the PRC as at 31 December 2016. Our sales representatives typically collect feedback on our products and packaging from our supermarket customers, whereas our promoters collect feedback on our products directly from our end consumers.

We recorded significant growth during the Track Record Period. Our revenue grew at a CAGR of approximately 51.2% from the year ended 31 December 2014 to the year ended 31 December 2016. Our revenue grew 128.5% from RMB204.8 million for the year ended 31 December 2014 to approximately RMB468.0 million for the year ended 31 December 2016. Our gross profit for the years ended 31 December 2014, 2015 and 2016 were approximately RMB47.9 million, RMB94.1 million and RMB118.4 million, respectively.

We intend to continue growing our revenue by increasing sales to our existing customers and improving our customer relationships, as well as acquiring new customers. We believe our close relationships with existing customers have presented us with robust opportunities to expand our sales to the sales network of our existing customers in regions like Northern China and Central Western China. We aim to increase the number of promoters stationed at our customers' stores, enhance the relationships between our sales representatives and our customers, and further diversify and strengthen our sales and promotion efforts. We believe that the sales of our products can readily expand from Fujian and Guangdong Provinces to other regions of China, including Northern China and Central Western China. As we increase the sales of our products to existing customers, we also anticipate launching New Product Types and Enhanced Products to take advantage of our established sales channels. We also plan to leverage on our existing customer relationships and grow our sales and promotion team to further expand our customer base.

COMPETITIVE STRENGTHS

- Large and stable supply of high quality raw materials
- Experienced sales and promotion team and large-scale loyal customers
- Large and evolving range of diverse product portfolio supplemented by an attractive and growing product pipeline
- Experienced management team with a proven track record

BUSINESS STRATEGIES

- Enhance our existing customer relationships in existing and new markets
- Enhance our packaging capabilities to address customer demands and improve quality control
- Further diversify and increase our sales and promotion efforts
- Source, package and market New Product Types and Enhanced Products that cater to changing consumer preferences

CUSTOMERS

Our customers are primarily supermarkets, trading companies, convenience stores, food companies, gift stores and e-commerce retailers, who collectively accounted for approximately 98.4% of our revenue in 2016. We believe our products were primarily sold in Fujian and Guangdong Provinces through the sales network of our customers. We also sold all of our frozen seafood at a seafood wholesale market in Xiamen, Fujian Province to end consumers during the Track Record Period, which accounted for

SUMMARY

approximately 1.6% of our revenue in 2016. For the years ended 31 December 2014, 2015 and 2016, our five largest customers accounted for approximately 38.0%, 35.0% and 33.8% of our revenue, respectively; and our largest customers accounted for approximately 10.8%, 9.7% and 9.2% of our revenue, respectively. None of our Directors, their respective associates or Shareholders (who or which, to the best knowledge of our Directors, owns 5% or more of the total issued share capital of our Company) had an interest in any of our five largest customers during the Track Record Period. All our customers, to the best of our Directors' knowledge, were Independent Third Parties during the Track Record Period. For details, please refer to the section headed "Business — Customers" on pages 137 to 146 of this prospectus.

SUPPLIERS AND SUB-CONTRACTORS

Our primary suppliers during the Track Record Period included fishermen, algae farmers and corporate suppliers. Our primary raw materials include raw and processed seafood and algae.

During the Track Record Period, save for two fishermen suppliers who are connected to our Group, the remaining suppliers were Independent Third Parties. For details, please refer to the section headed "Business — Suppliers and Raw Materials" on pages 147 to 155 of this prospectus. The transactions with the aforementioned connected fishermen will continue after Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details of such continuing connected transactions and the waiver, please refer to the section headed "Connected Transactions" on pages 184 to 189 of this prospectus.

During the Track Record Period, we engaged one sub-contractor for processing our algae products and two other sub-contractors for processing our dried seafood products. For details, please refer to the section headed "Business — Sub-contractors" on pages 155 to 156 of this prospectus.

OUR PACKAGING FACILITIES

Our current packaging facility is based in Xiamen, Fujian Province. The following table sets out the capacity of our packaging facility during the Track Record Period:

<u>Year ended 31 December</u>	<u>Actual output (packs)</u>	<u>Planned output capacity ⁽¹⁾ (packs)</u>	<u>Utilisation rate ⁽²⁾</u>
2014	5,676,490	10,800,000	52.6%
2015	10,570,649	10,800,000	97.9%
2016	11,476,144	10,800,000	106.3%

Notes:

1. Planned output capacity means the annual packaging capacity of our packaging lines. It is arrived by multiplying the planned production days for the year (i.e. 250 days) by the daily packaging capacity. The daily packaging capacity is calculated based on the estimated output during one shift of 8 working hours per day with three production lines in operation (i.e. 43,200 packs).
2. The utilisation rate is derived from dividing the actual output by the planned output capacity.

SUMMARY

QUALITY CONTROL AND FOOD SAFETY

During the period from 1 January 2013 to 31 December 2016, our products were exposed to several product quality incidents. Our Directors estimated that the maximum income which may be subject to confiscation and potential administrative fines by the relevant PRC authorities in relation to all of the abovementioned product quality incidents are approximately RMB96,000 and RMB3.7 million, respectively, pursuant to the Food Safety Law of the PRC and the Law of the PRC on Administrative Penalties. For details of the product quality incidents, please refer to the section headed “Business — Our Quality Control and Food Safety — Incidents Relating to Product Quality” on pages 159 to 163 of this prospectus. In light of the said product quality incidents, we have implemented a series of enhanced quality control and food safety measures to strengthen our control over the source of our raw materials and product quality since March 2016. Save as disclosed in this prospectus, to the best knowledge of our Directors, no material actions or fines have been taken or imposed by the relevant authority against us on our product quality since March 2016.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth the consolidated financial information of our Group for the years ended 31 December 2014, 2015 and 2016. It should be read in conjunction with the financial information included in the Accountants’ Report as set out in Appendix I to this prospectus:

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Revenue	204,847	366,968	468,039
Cost of sales	(156,944)	(272,862)	(349,642)
Gross profit	47,903	94,106	118,397
Other income and other gains/(losses), net	(157)	411	435
Selling and distribution expenses	(8,536)	(14,547)	(17,838)
Administrative expenses	(1,851)	(2,707)	(14,039)
Other expenses	(274)	(1,012)	(1,320)
Finance costs	(1,313)	(1,028)	(219)
Profit before income tax	35,772	75,223	85,416
Income tax expense	(9,301)	(19,379)	(24,264)
Profit for the years attributable to owners of the Company	26,471	55,844	61,152

SUMMARY

Save for our frozen seafood products, the sales volume, revenue and gross profits for each of our product categories generally increased for each period during the Track Record Period. The following table shows a breakdown of our revenue during the Track Record Period.

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Dried seafood	127,143	62.1	212,217	57.8	255,817	54.7
Algae and fungi ⁽¹⁾	50,797	24.8	113,643	31.0	170,831	36.5
Seafood snacks	1,607	0.8	24,075	6.6	33,975	7.2
Frozen seafood	25,300	12.3	17,033	4.6	7,416	1.6
	<u>204,847</u>	<u>100.0</u>	<u>366,968</u>	<u>100.0</u>	<u>468,039</u>	<u>100.0</u>

Note:

- We began selling fungi (including dried mushroom and other types of mushroom products) during the year ended 31 December 2015 and generated revenue of approximately RMB4.5 million for the year ended 31 December 2015 and approximately RMB8.0 million for the year ended 31 December 2016.

The following table sets forth our sales volume and average selling price by product category for the years indicated:

	For the year ended 31 December					
	2014		2015		2016	
	Sales volume (kg in '000)	Average selling price (RMB per kg)	Sales volume (kg in '000)	Average selling price (RMB per kg)	Sales volume (kg in '000)	Average selling price (RMB per kg)
Dried seafood	2,059	61.7	3,254	65.2	2,963	86.4
Algae and fungi	613	82.9	1,396	81.4	1,773	96.4
– Algae	613	82.9	1,365	80.0	1,707	95.4
– Fungi	–	–	31	145.8	66	121.0
Seafood snacks	18	89.3	337	71.4	501	67.8
Frozen seafood	672	37.6	440	38.7	228	32.5
Total	<u>3,362</u>		<u>5,427</u>		<u>5,465</u>	

We recorded significant revenue growth during the Track Record Period. During the Track Record Period, the growth of our revenue was primarily attributable to a sustained and growing sales volume of our products. The overall sales volume of our products increased by approximately 61.4% in 2015 compared to 2014. It increased slightly by 0.7% for the year ended 31 December 2016 compared to 2015. Such significant growth during the Track Record Period was driven by our increasing customer demand which was supported by a corresponding increase in supplies. We believe our customers choose our

SUMMARY

products mainly based on (i) the Strong Historical Sales Record, supported by effective sales and promotion strategies, (ii) our stable product supply, and (iii) our large and evolving range of diverse product offering. The growth in our revenue is also attributable to the increase in average selling price of certain products. Please refer to the sections headed “Business — Overview”, “Business — Our Competitive Strengths” and “Financial Information — Review of Historical Results of Operations” of this prospectus for more details.

The table below sets forth the revenue contribution from our sales channels during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	RMB (’000)	% to total revenue	RMB (’000)	% to total revenue	RMB (’000)	% to total revenue
Supermarkets	102,470	50.0	168,813	46.0	241,738	51.6
Trading companies	30,808	15.0	85,153	23.2	100,106	21.4
Convenience stores	10,362	5.1	18,265	5.0	21,479	4.6
Wholesale market						
for seafood ⁽¹⁾	25,300	12.4	17,033	4.6	7,416	1.6
Other sales channels	35,907	17.5	77,704	21.2	97,300	20.8
<i>Food companies</i>	9,922	4.8	30,552	8.4	49,029	10.5
<i>Gift stores</i>	10,374	5.1	16,278	4.4	21,674	4.6
<i>E-commerce retailers</i> . .	6,830	3.3	18,069	4.9	20,822	4.4
<i>Others</i>	8,781	4.3	12,805	3.5	5,775	1.3
Total	<u>204,847</u>		<u>366,968</u>		<u>468,039</u>	

Notes:

1. During the Track Record Period, we sold all our frozen seafood at a seafood wholesale market in Xiamen, the PRC.

Our Group commenced the business of sourcing, processing, packaging and selling seafood in July 2005 when Mr. Liu established Xiamen Wofan with his own financial resources. We were loss-making prior to 2013, primarily because we were then in the startup phase surveying long term development and market opportunities available in the dried seafood production business in the PRC. During this phase, we incurred substantial expenses relating to the establishment of a blueprint of our sales network and development of our product positioning strategies which are all critical parts of our development before we became profit-making. We had accumulated losses of approximately RMB0.6 million as at 1 January 2013 primarily due to the significant selling and marketing expenses incurred before 2013 for building brand awareness. For further information on our history prior to the Track Record Period, please refer to the section headed “History, Development and Reorganisation” in this prospectus. The growth in our revenue during the Track Record Period was primarily due to an increase in sales to our existing customers and the acquisition of new customers. These increases were attributable to long-term revenue drivers and our strategic initiatives, some of which were set in place prior to the Track Record Period.

SUMMARY

Our revenue growth during the Track Record Period was driven by certain long-term revenue drivers, including the increasing sales penetration of our products with existing customers, the introduction of New Product Types and Enhanced Products (except in 2014 when we introduced only one Enhanced Product), the growth of our industry and the acquisition of new customers. We believe our existing and new customers choose our products mainly based on (i) Strong Historical Sales Record, supported by effective sales and promotion strategies, (ii) our stable product supply, and (iii) our large and evolving range of diverse product offering.

Our revenue growth was accelerated as a result of our strategic initiatives before and during the Track Record Period, including, for example, (i) increasing the use of promoters to boost the sales performance of our products; (ii) leasing of tidal flats which we subsequently subleased to algae farmers to improve our supply stability; and (iii) introducing new types of dried seafood to increase and diversify our product offerings and to match changing consumers trends. These strategic initiatives each contributed to our significant revenue growth during the Track Record Period.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by product category for the years indicated:

	For the year ended 31 December								
	2014			2015			2016		
	Gross profit RMB'000	% of total gross profit %	Gross profit margin %	Gross profit RMB'000	% of total gross profit %	Gross profit margin %	Gross profit RMB'000	% of total gross profit %	Gross profit margin %
Dried seafood	30,295	63.3	23.8	55,240	58.7	26.0	66,430	56.1	26.0
Algae and fungi	11,613	24.2	22.9	29,363	31.2	25.8	42,051	35.5	24.6
Seafood snacks	344	0.7	21.4	5,913	6.3	24.6	8,172	6.9	24.1
Frozen seafood	5,651	11.8	22.3	3,590	3.8	21.1	1,744	1.5	23.5
Total	<u>47,903</u>	<u>100.0</u>	23.4	<u>94,106</u>	<u>100.0</u>	25.6	<u>118,397</u>	<u>100.0</u>	25.3

For discussion of our gross profit and gross profit margins during the Track Record Period, please refer to the section headed “Financial Information — Review of Historical Results of Operations” in this prospectus.

Summary of Consolidated Statements of Financial Position

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Current assets	126,936	156,426	219,755
Current liabilities	66,431	55,929	67,044
Net current assets	60,505	100,497	152,711

SUMMARY

For more details of our summary of consolidated statements of financial position, please refer to the section headed “Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Retained Profits” on page 243 of this prospectus.

Summary of our Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities . . .	28,837	68,594	34,300
Net cash (used in)/generated from investing activities	(111)	139	351
Net cash (used in)/generated from financing activities	(6,640)	(26,524)	1,651
Cash and cash equivalents at end of the years . .	31,470	73,679	109,982

For more details of our summary of our consolidated statements of cash flows, please refer to the section headed “Financial Information — Liquidity and Capital Resources — Cash Flows” on pages 233 to 235 of this prospectus.

Key Financial Ratios

The following table sets forth certain key financial ratios of our Group for the years indicated:

	As at/Year ended 31 December		
	2014	2015	2016
Current ratio	1.9	2.8	3.3
Quick ratio	1.3	2.3	2.8
Gearing ratio ⁽¹⁾	23.2%	9.5%	nil
Net debt to equity ratio	net cash	net cash	net cash
Interest coverage	28.2	74.2	391.0
Return on assets	20.1%	35.6%	27.5%
Return on equity	40.6%	55.3%	39.3%
Net profit margin	12.9%	15.2%	13.1%

Note:

(1) Gearing ratio is calculated based on the total debt divided by the total equity as at the respective year and multiplied by 100%.

For definitions and more details of our key financial ratios (including the formula of these ratios), please refer to the section headed “Financial Information — Other Key Financial Ratios” on pages 245 to 247 of this prospectus.

SUMMARY

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$0.715 (being the mid-point of the indicative range of the Offer Price between HK\$0.59 and HK\$0.84), the estimated total expenses in connection with the Listing (including the underwriting commission) is approximately RMB37.2 million.

Of such amount, approximately RMB15.6 million is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity. The remaining amount of approximately RMB21.6 million has been or is to be charged to the consolidated statements of profit or loss and other comprehensive income, of which (i) approximately RMB0.1 million and approximately RMB9.0 million were recognised for the year ended 31 December 2015 and the year ended 31 December 2016, respectively, representing approximately 0.2% and 14.7% of our Group's profit for the corresponding year/period (according to our audited financial statement as set out in Appendix I to this prospectus); and (ii) approximately RMB12.5 million is expected to be charged upon the Listing (according to our current estimation).

OFFERING STATISTICS ^(Note 3)

	<u>Based on the Offer Price of HK\$0.59 per Offer Share</u>	<u>Based on the Offer Price of HK\$0.84 per Offer Share</u>
Market capitalisation of the Shares ^(Note 1)	HK\$590,000,000	HK\$840,000,000
Unaudited pro forma adjusted consolidated net tangible asset per Share ^(Note 2)	HK\$0.30	HK\$0.36

Notes:

1. The calculation of the market capitalisation of the Shares is based on 1,000,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue.
2. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is calculated based on 1,000,000,000 Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue.
3. All statistics in this table are based on the assumption that the Over-allotment option is not exercised.

SUMMARY

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering, assuming an Offer Price of HK\$0.715 per Offer Share and assuming the Over-allotment Option is not exercised) will be approximately HK\$136.3 million (equivalent to approximately RMB119.1 million). Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately 36.3%, or HK\$49.5 million, will be used to enhance our market access and deepen our penetration of Northern China and Central Western China, of which:
 - approximately 18.6%, or HK\$25.3 million, will be used to establish our Tianjin and Chengdu logistics centres (including acquisition costs for cold storage facilities, cold chain vehicles and an enterprise resource planning system);
 - approximately 7.0%, or HK\$9.5 million, will be used to hire staff for the logistic centres and promoters to service these regions;
 - approximately 6.3%, or HK\$8.6 million, will be used for sales and promotion to support sales growth in Northern China and Central Western China (including television advertising, engaging marketing consultants and participating in exhibitions); and
 - approximately 4.4%, or HK\$6.1 million, will be used for maintenance costs (including rent for our warehouses, electricity expenses and operating costs for cold chain vehicles).
- approximately 29.1%, or HK\$39.6 million, will be used to acquire new packaging equipment and establish the quality control and testing centre, of which:
 - approximately 12.6%, or HK\$17.2 million, will be used to acquire new dried seafood packaging equipment and storage facilities. Please refer to the section headed “Business — Packaging — Acquisition of Additional Packaging Facilities and Equipments” on page 131 of this prospectus for further details;
 - approximately 9.2%, or HK\$12.6 million, will be used to acquire new algae packaging equipment and storage facilities. Please refer to the section headed “Business — Packaging — Acquisition of Additional Packaging Facilities and Equipments” on page 131 of this prospectus for further details; and
 - approximately 7.3%, or HK\$9.8 million, will be used to establish the quality control and testing centre, which includes the acquisition of product testing and quality control equipment.
- approximately 24.6%, or HK\$33.6 million, will be used to diversify and increase our sales and promotion efforts, of which:
 - approximately 9.4%, or HK\$12.9 million, will be used to expand other sales and promotion channels (including increasing our in-store or near-store advertisements, engaging marketing consultants and re-designing our products) mainly in Southern China;
 - approximately 9.3%, or HK\$12.6 million, will be used to establish and operate our own stores via e-commerce platforms on both mobile and desktop devices; and
 - approximately 5.9%, or HK\$8.1 million, will be used to hire promoters to service our market coverage in Southern China.

SUMMARY

- approximately 10.0%, or HK\$13.6 million, for working capital and other general corporate purposes.

For details, please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds” on pages 254 to 256 of this prospectus.

RISK FACTORS

Our business is subject to a number of risks and uncertainties, including the following highlighted risks: (a) we may not grow at a rate comparable to our growth rate in the past; (b) 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; (c) we are susceptible to fluctuations in raw materials prices; (d) failure to engage suitable sub-contractors at favorable terms or to control and manage sub-contracting fees could have a material adverse effect on our business, financial condition and operating results; (e) if our customers fail to receive their products as scheduled, our sales and reputation may be materially and adversely affected; and (f) our efforts in developing, launching and promoting New Product Types and Enhanced Products may not be successful.

We are also exposed to a number of risks relating to the seafood and algae industries, including the following highlighted risks: (a) we operate in a highly competitive industry; (b) China’s seafood and algae industries are affected by fluctuations in the domestic economy and financial markets; (c) changes in food safety laws may affect our business; and (d) litigation or legal proceedings could expose us to liability, divert our management’s attention and negatively impact our reputation.

As different investors may weigh implications of risks differently and apply different standards for determining the materiality of a risk, you should read the entire section headed “Risk Factors” on pages 26 to 49 of this prospectus carefully before you decide to invest in the Offer Shares. You should not place any reliance on any information contained in press articles, research analysts’ reports or other media regarding us and the Global Offering, which may not be consistent with the information contained in this prospectus.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

After performing due diligence which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, save as disclosed in the section headed “Financial Information — Listing Expenses” on page 249 in this prospectus, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2016, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since 31 December 2016 which would materially affect the information as set out in the Accountants’ Report in Appendix I to this prospectus.

SUMMARY

CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), Mr. Liu will, through his wholly-owned company (namely Precisely Unique), be entitled to exercise or control the exercise of 52.5% of the issued share capital of our Company and thus he, together with Precisely Unique, will become our Controlling Shareholders. Please refer to the section headed “Relationship with our Controlling Shareholders” on pages 176 to 183 of this prospectus.

PRE-IPO INVESTORS

Three Independent Third Parties, Jiranek Investments, Xiamen Shengtianji and Xiamen Shengying, are our Pre-IPO Investors. Each of Jiranek Investments, Xiamen Shengtianji and Xiamen Shengying acquired 10%, 5% and 5% equity interests of Xiamen Wofan at a consideration of RMB580,000, RMB290,000 and RMB290,000, respectively. The effective acquisition per Share is RMB0.008 per Share, representing 98.76% discount to the mid-point of our Offer Price range. The consideration for the pre-IPO investments have been fully settled on or before 15 March 2016. Please refer to the section headed “History, Development and Reorganisation — Pre-IPO Investments” on pages 97 to 103 of this prospectus for further details.

DIVIDEND

During the year ended 31 December 2015, a member of our Group declared and paid dividend of RMB20.0 million. As at the Latest Practicable Date, such dividend had been fully settled to the relevant Shareholders. Save as disclosed, we have no plan to pay or declare any dividends prior to the Listing. As at the Latest Practicable Date, we also did not have any specific dividend policy nor pre-determined dividend payout ratios.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, subject to applicable laws and regulations, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Such discretion to be exercised by the Board is subject to any applicable laws. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Accountants’ Report”	the accountants’ report of our Group prepared by the Reporting Accountants set out in Appendix I to this prospectus
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them which is used in relation to the Public Offer
“Aristo Securities”	Aristo Securities Limited, a licensed corporation under the SFO permitted to engage in type 1 (dealing in securities) regulated activity
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 22 June 2017 and which will take effect on the Listing Date, and as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Companies Law” in Appendix III to this prospectus
“ASKCI”	ASKCI Consulting Co., Ltd (深圳中商情大數據股份有限公司), an independent market research and consulting company
“ASKCI Report”	an industry report dated 30 June 2017, which was commissioned by us and prepared by ASKCI
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Billion Bond”	Billion Bond Holdings Limited (億鍵有限公司), a company incorporated in the BVI with limited liability on 28 August 2015 and a direct wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	our board of Directors
“business day”	a day on which banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.

DEFINITIONS

“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 749,799,000 Shares made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — 1. Further information about our Company — (iv) Written Resolutions of our Shareholders passed on 22 June 2017” in Appendix IV to this prospectus
“Cayman Share Registrar”	Conyers Trust Company (Cayman) Limited
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Central Western China”	includes the city of Chongqing and provinces of Hubei, Hunan, Sichuan, Guizhou, Yunnan, Shannxi, Gansu and Ningxia of the PRC
“Chairman”	the chairman of the Board
“close associate(s)”	has the same meaning as defined in the Listing Rules
“Companies Law” or “Cayman Companies Law”	Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on 3 March 2014, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), which came into effect on 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	China Shenghai Food Holdings Company Limited (中國升海食品控股有限公司) (formerly known as Oceania Green Food Holdings Company Limited (大洋洲綠色食品控股有限公司) and Oceania Food (China) Holdings Company Limited (大洋洲食品(中國)控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 8 January 2016
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Mr. Liu and Precisely Unique
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 22 June 2017 and entered into by Mr. Liu and Precisely Unique in favour of our Company, particulars of which are set out in the section headed “Statutory and General Information — 9. Other Information — D. Deed of Indemnity” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 22 June 2017 entered into by Mr. Liu and Precisely Unique in favour of our Company, in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Director(s)” or “our Director(s)”	director(s) of our Company
“EIT”	the enterprise income tax payable under the EIT Law
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which came into effect on 1 January 2008

DEFINITIONS

“Enhanced Product”	an existing product that is modified or enhanced with new flavours and/or new packaging and/or sold in different quantities introduced in the relevant calendar year
“First Pre-IPO Investment”	the transaction(s) contemplated under the agreement dated 10 February 2015 entered into between Mr. Liu and Jiranek Investments, pursuant to which Mr. Liu transferred 10% equity interest in Xiamen Wofan
“Fujian Condiment”	福建省泉州市食育味業調味品有限公司 (Fujian Quanzhou Dietary Condiment Company Limited), a company established under the laws of the PRC with limited liability on 20 September 2016 and is wholly owned by Mr. Liu
“Fujian Wofan”	福建省沃豐食品有限公司 (Fujian Wofan Foodstuff Company Limited), a company established under the laws of the PRC with limited liability on 4 November 2014 and a direct wholly-owned subsidiary of Xiamen Wofan
“GDP”	gross domestic product
“Global Offering”	the Public Offer and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “HK dollars” or “HKD” or “cents”	Hong Kong dollars and cents, the lawful currency for the time being of Hong Kong

DEFINITIONS

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	persons or companies which are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the Listing Rules) of our Company, any of our subsidiaries or any of their respective associates, and an “Independent Third Party” means any of them
“International Placing”	the conditional placing of the International Placing Shares, at the Offer Price with professional, institutional and other investors by the International Placing Underwriters on behalf of our Company, as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 225,000,000 Offer Shares initially being offered for subscription at the Offer Price under the International Placing together with, where relevant, any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, but subject to the adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Underwriters”	the underwriters of the International Placing
“International Placing Underwriting Agreement”	the underwriting agreement in relation to the International Placing expected to be entered into on the Price Determination Date among our Company, our executive Directors, our Controlling Shareholders, the Joint Global Coordinators and the International Placing Underwriters
“Jiranek Investments”	Jiranek Investments Limited (杰蘭力投資有限公司), a company incorporated in the BVI with limited liability on 18 December 2007 whose entire issued share capital is owned by Mr. Sun (孫少華). Jiranek Investments will hold 7.5% of the total issued share capital of our Company after the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Scheme)

DEFINITIONS

“Joint Global Coordinators”, “Joint Bookrunners” or “Joint Lead Managers”	Dongxing Securities, Wealth Link Securities and Aristo Securities
“kg”	kilogramme
“Labour Contract Law”	the Labour Contract Law of the PRC (中華人民共和國勞動合同法), which came into effect on 1 January 2008 and as amended on 28 December 2012
“Latest Practicable Date”	21 June 2017, being the latest practicable date for the inclusion of information in this prospectus prior to the printing of this prospectus
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Date”	the date on which dealings of the Shares on the Main Board first commence, which is expected to be on 18 July 2017
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 22 June 2017 and as amended from time to time
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation, as appropriate to the context
“Mr. Liu”	Mr. Liu Rongru (劉榮如), our Chairman, executive Director and one of our Controlling Shareholders
“Mr. Sun”	Mr. Sun Shaohua (孫少華)
“Ms. Lin”	Ms. Lin Liping (林麗萍)
“Ms. Zhang”	Ms. Zhang Fengtao (張鳳桃)

DEFINITIONS

“New Lead”	New Lead Worldwide Limited, a company incorporated in Hong Kong with limited liability on 3 December 2015 and a direct wholly-owned subsidiary of Billion Bond
“New Product Type”	a product that is modified with new main ingredients introduced in the relevant calendar year
“Northern China”	includes the cities of Beijing and Tianjin and provinces of Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Shandong and Henan of the PRC
“NPC”	the national legislature of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) under the Global Offering, which is expected to be determined as further described in the section headed “Structure and Conditions of the Global Offering — Price and Allocation — Determining the Offer Price” in this prospectus
“Offer Share(s)”	the Public Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Placing Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Placing Underwriters) subject to the terms and conditions of the International Placing Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Offer Shares (representing 15% of the initial number of the Offer Shares) to cover, among other things, over-allocations in the International Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement, particulars of which are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“PRC” or “China”	The People’s Republic of China which, for the purpose of this prospectus, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“PRC Legal Advisers”	Jingtian & Gongcheng, the legal advisers to our Company as to the PRC laws
“Pre-IPO Investors”	Jiranek Investments, Xiamen Shengtianji and Xiamen Shengying
“Precisely Unique”	Precisely Unique Limited (銳奇有限公司), a company incorporated in the BVI with limited liability on 23 September 2015 whose entire issued share capital is owned by Mr. Liu, who is our Chairman and one of our Controlling Shareholders and executive Directors, Precisely Unique is also one of our Controlling Shareholders and it will hold 52.5% of the total issued share capital of our Company after the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Scheme)
“Price Determination Date”	the date, expected to be on or around 6 July 2017 but no later than 11 July 2017, on which the Offer Price is fixed for the purpose of the Global Offering
“Public Offer”	the conditional offering by our Company of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Share(s)”	the 25,000,000 Offer Shares initially being offered for subscription at the Offer Price in the Public Offer, subject to adjustment
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 29 June 2017, in relation to the Public Offer, and entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators and the Public Offer Underwriters

DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing, which is more particularly described in the section headed “History, Development and Reorganisation” in this prospectus
“Reporting Accountants”	BDO Limited, the reporting accountants of our Company
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the section headed “Statutory and General Information — 5. Share Repurchase Mandate” in Appendix IV to this prospectus
“Rising Case”	Rising Case Limited (宗昇有限公司), a company incorporated in the BVI with limited liability on 30 September 2015, whose entire issued share capital is owned by Liu Tianping (劉田平). Rising Case will hold approximately 7.5% of the total issued capital of our Company after the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Scheme)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Scenic Gift”	Scenic Gift Holdings Limited (景禮控股有限公司), a company incorporated in the BVI with limited liability on 2 June 2015, whose entire issued share capital is owned by Ms. Lin. Scenic Gift will hold approximately 3.75% of the issued share capital of our Company immediately after the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Scheme)

DEFINITIONS

“Second Pre-IPO Investment”	the transaction(s) contemplated under the agreement dated 21 September 2015 entered into among Mr. Liu, Xiamen Shengtianji, Xiamen Shengying and Liu Rongfeng, pursuant to which, among other things, Liu Rongfeng transferred 5% and 5% equity interest in Xiamen Wofan which Liu Rongfeng held for Mr. Liu to Xiamen Shengtianji and Xiamen Shengying respectively
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of our Company with a nominal value of HK\$0.01 each
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 22 June 2017, a summary of the principal terms of which is set forth in the section headed “Statutory and General Information — 8. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Shares
“Skillful Sphere”	Skillful Sphere Limited (巧域有限公司), a company incorporated in the BVI with limited liability on 16 September 2015, whose entire issued share capital is owned by Ms. Zhang. Skillful Sphere will hold approximately 3.75% of the issued share capital of our Company immediately after the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Scheme)
“Sole Sponsor” or “Dongxing Securities”	Dongxing Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“sq.m.”	square metre
“Stabilising Manager”	Dongxing Securities
“State Council”	State Council of the PRC (中華人民共和國國務院)

DEFINITIONS

“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Precisely Unique on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strong Historical Sales Record”	the track record of strong sale performance of our products in the stores or throughout the sale networks of our Group’s customers which is believed to be a good indicator of our end-consumers’ preference of our Group’s products in the market and hence a higher likelihood of future purchase of the products by the end-consumers
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers of Hong Kong
“Track Record Period”	the financial years ended 31 December 2014, 2015 and 2016
“Underwriters”	the Public Offer Underwriters and the International Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the International Placing Underwriting Agreement
“United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax
“Wealth Link Securities”	Wealth Link Securities Limited, a licensed corporation under the SFO permitted to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name

DEFINITIONS

“Xiamen Shengtianji”	廈門市聖天基貿易有限公司 (Xiamen Shengtianji Trading Company Limited), a company established under the laws of the PRC with limited liability on 4 August 2015 whose entire issued share capital is owned by Ms. Lin. Xiamen Shengtianji held 5% of the equity interests in Xiamen Wofan prior to the Reorganisation
“Xiamen Shengying”	廈門市聖贏貿易有限公司 (Xiamen Shengying Trading Company Limited), a company established under the laws of the PRC with limited liability on 5 August 2015 whose entire share capital is owned by Ms. Zhang. Xiamen Shengying held 5% of the equity interests in Xiamen Wofan prior to the Reorganisation
“Xiamen Wofan”	廈門沃豐食品有限公司 (Xiamen Wofan Foodstuff Company Limited), a company established under the laws of the PRC with limited liability on 1 July 2005 and a direct wholly-owned subsidiary of New Lead
“Xiamen Yehong”	Xiamen Yehong Foodstuffs Company Limited (廈門葉紅食品有限公司), a company established under the laws of the PRC with limited liability and is owned by Lin Yueying (林月英), Liu Shuping (劉舒萍) and an Independent Third Party as to 89.44%, 5.56% and 5%, respectively as at the Latest Practicable Date
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

The English names of the companies or entities established in the PRC and the PRC laws and regulations mentioned in this prospectus are translations from their Chinese names. If there is any inconsistency, the Chinese names shall prevail. The English translations of the Chinese names are provided for identification purposes only.

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.

Certain monetary amounts included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

For the purpose of illustration only and unless otherwise specified in this prospectus, amounts denominated in RMB have been translated into HK\$ at the rate of RMB0.8742 = HK\$1.00. No representation is made that the RMB amounts could have been, or could be, converted into HK\$ at such rates or at any other rate on such date or on any other date.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“algae (藻類產品)”	mainly comprised processed seaweed (紫菜), sea tangle (海帶), sea mustard (裙帶菜) and sea agar (石花菜)
“dried seafood (乾海產品)”	mainly comprised dried cuttlefish (墨魚乾), dried squid (魷魚乾), dried peeled prawn (蝦仁乾) and dried scallop (干貝)
“frozen seafood (海鮮凍品)”	chilled raw seafood which included hairtail (帶魚) and pomfret (鯧魚)
“fungi”	mainly comprised mushroom (香菇), shiitake mushroom (冬菇), flower mushroom (花菇) and brown beech mushroom (茶樹菇)
“seafood snacks (海洋休閒產品)”	instant dried seafood snacks, such as grilled fish crisps (烤魚片), instant shredded squid (即食魷魚絲) and instant seaweed (即食海苔)
“porphyra polysaccharide”	an ingredient with high nutritional value that can be extracted from seaweed
“unpackaged”	describes products that are without packaging and sold loosely

RISK FACTORS

Potential investors should consider carefully all of the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in the Offer Shares. 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 Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We may not grow at a rate comparable to our growth rate in the past.

During the Track Record Period, we recorded significant growth in our revenue. Our revenue increased by approximately 79.2% from approximately RMB204.8 million for the year ended 31 December 2014 to approximately RMB367.0 million for the year ended 31 December 2015, and by approximately 27.5% to approximately RMB468.0 million for the year ended 31 December 2016. In addition, our net profit increased by approximately 110.6% from approximately RMB26.5 million for the year ended 31 December 2014 to approximately RMB55.8 million for the year ended 31 December 2015. Excluding the impact of one-off listing expenses, our profit would have increased by approximately 25.8% to approximately RMB70.2 million for the year ended 31 December 2016.

However, this growth trend reflects only our past performance and does not have any positive implication or may not necessarily reflect our financial performance in the future. The sustainability of our growth depends on a number of factors, many of which are beyond our control, including our ability to maintain and expand our customer base and diversify our product offerings, the competitive environment in our industry and the availability of adequate management, labour and financial resources, as well as economic, political and legal developments in China. There is no assurance that we can sustain the growth rate we achieved in the past. Should there be any changes which adversely affect our operations, our growth and profitability could be reduced.

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 high quality raw materials. We source unprocessed raw materials from a number of suppliers, including fishermen suppliers and algae farmers, and source processed raw materials from corporate suppliers. We generally source each of our principal raw materials from more than two suppliers. 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.

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In addition, the harvesting of seafood and cultivation of 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 example, in late 2013, we experienced a super-typhoon which significantly reduced the supply and increased the price of algae in the market, which in turn affected our gross margin in 2014. In addition, global climate change and ocean acidification may also affect the supply of seafood and algae. 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 raw seafood, raw algae, processed algae, processed seafood and packaging materials. We procure all of our raw materials in the PRC. Our costs of raw materials for the years ended 31 December 2014, 2015 and 2016 amounted to approximately RMB144.6 million, RMB249.1 million and RMB325.6 million, respectively, representing approximately 92.1%, 91.3% and 93.1% 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, commodity price fluctuations and changes in government policies affecting supply. 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.

Failure to engage suitable sub-contractors at favourable terms or to control and manage sub-contracting fees could have a material adverse effect on our business, financial condition and operating results.

To retain operational flexibility, we do not enter into long-term arrangements with our sub-contractors. Instead, we enter into regular agreements with them or extend agreements upon expiry on an annual basis. Such sub-contractors may reduce or cease processing products for us at any time or may choose to work with other long-term customers, which could materially and adversely affect our business and results of operations. There is no guarantee that our current or future sub-contracting agreements can be negotiated on terms and prices equivalent to or better than current terms and prices.

Furthermore, our cost and profitability depend, in part, on our ability to control and manage our sub-contracting fees. For the years ended 31 December 2014, 2015 and 2016, our sub-contracting fees included in cost of sales were approximately RMB10.4 million, RMB20.3 million and RMB20.0 million, respectively, representing approximately 6.6%, 7.4% and 5.7%, respectively, of our cost of sales. For the years ended 31 December 2014, 2015 and 2016, the overall utilisation rate of our packaging facility were

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approximately 52.6%, 97.9% and 106.3%, respectively. As our current packaging facility is reaching its full capacity, we may outsource a greater portion of packaging and food processing process to our sub-contractors if our sales volume continues to increase which will in turn lead to an increase in our sub-contracting fees, which may in turn adversely affect our profit margin. In addition, sub-contracting our packaging services to third parties may also limit our ability to control the quality of our products. Furthermore, our plans to expand our production capacity may not be successful. If we are unable to control and manage our sub-contracting fees, our profitability will decline, which may have a material adverse effect on our business, financial condition and results of operations.

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 Independent Third Party logistic providers for the transportation and delivery of some of our products and we bear the costs of such product delivery. The services provided by these logistic 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, and may reduce our revenue and damage our reputation. Poor handling by logistic providers could also damage our products.

In addition, our sub-contractors and suppliers may experience interruptions or delays in the delivery of the processed products and raw materials to us due to the factors outside of our control, which could materially and adversely affect our business. Any delayed or missing deliveries 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.

Our efforts in developing, launching and promoting New Product Types and Enhanced Products may not be successful.

The seafood and algae industries 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 Product Types and Enhanced Products to meet such changing demands. We cannot assure you that our New Product Types and Enhanced 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 Product Types and Enhanced 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 Product Types and Enhanced Products, improve our portfolio of products and satisfy consumers' changing preferences, our market share and financial performance may be materially and adversely affected.

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

We rely heavily on the strength of our brand 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 seafood and algae industries 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 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 seafood and algae industries generally, including risks posed by the following:

- environmental pollution and food contamination;
- contamination of raw materials;
- spoilage 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;
- the expense and possible unavailability of product liability insurance; and
- the potential cost and disruption of product recalls.

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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 section headed “Business — Our Quality Control and Food Safety” in this prospectus. In addition, as we construct new packaging facilities or warehousing or otherwise expand our business, our quality standards may be difficult to maintain. 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 or require us to replace defective or substandard products, which may materially and adversely affect our business, financial condition and operating results.

Furthermore, our customers require that our products adhere to certain quality standards and failure to adhere to such quality standards may result in product returns, decreased sales or damage to our reputation. In addition, we may be subject to product liability claim and may be held liable to pay compensation and damages to any end consumers damaged by our products. In case any such claims materialises, our corporate image and reputation may suffer, which may result in our customers losing faith and confidence in our products.

As part of our strategy to produce in a cost-effective manner and maximise production flexibility, we outsource the food processing of our seafood and algae products to sub-contractors who are Independent Third Parties. As at the Latest Practicable Date, we have appointed three sub-contractors to process our products. For more details, please refer to the section headed “Business — Sub-contractors” in this prospectus. For the years ended 31 December 2014, 2015 and 2016, our sub-contracting fees included in cost of sales were approximately RMB10.4 million, RMB20.3 million and RMB20.0 million, respectively, representing approximately 6.6%, 7.4% and 5.7%, respectively, of our cost of sales generated from our products.

We may not always be able to find suitable sub-contractors. Our sub-contractors may fail to provide us with products of satisfactory quality or products that meet our standard in a timely manner and at a reasonable price. We may, from time to time, and have in the past, rejected products that failed to meet our specifications. We cannot assure you that all products processed by our sub-contractors would meet all of our quality standards. If we find that the products processed by our sub-contractors are defective or of poor quality, we will return the products to them, and hence encounter delay in delivery of products to our customers which may in turn expose us to liability or affect our brand and reputation. If we failed to recognise defective products supplied by our sub-contractors and on-sell them to our customers, our brand and reputation may be subject to adverse impact and we may be subject to product liability consequences.

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

Our customers are primarily supermarkets, trading companies and convenience stores. For the years ended 31 December 2014, 2015 and 2016, sales to our five largest customers, amounted to approximately RMB77.8 million, RMB128.7 million and RMB158.3 million, respectively, representing approximately 38.0%, 35.0% and 33.8% of our total revenue during the corresponding periods; whilst sales to the single largest customer amounted to approximately RMB22.0 million, RMB35.5 million and RMB43.0 million, respectively, representing approximately 10.8%, 9.7% and 9.2% of our total revenue during the corresponding periods. For details of our top five customers, please refer to the section headed “Business — Customers” in this prospectus. Although we have entered into long-term framework supply agreements with our customers, the agreements generally do not set forth minimum purchase commitment clauses or other similar provisions, and 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 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 Product Types and Enhanced 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 and convenience stores, 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 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 RMB48.6 million, RMB51.3 million and RMB74.5 million as at 31 December 2014, 2015 and 2016, respectively. The increase in trade receivables from approximately RMB48.6 million as at 31 December 2014 to approximately RMB51.3 million as at 31 December 2015 is mainly attributable to increase in the sales in December 2015 as compared with December 2014. The trade receivables increased from approximately RMB51.3 million as at 31 December 2015 to approximately RMB74.5 million as at 31 December 2016 primarily due to higher sales recorded in December 2016 as compared with December 2015. We generally grant credit terms of between 30 days to 90 days to our customers. For the three years ended 31 December 2014, 2015 and 2016, the allowance for doubtful debts were RMB301,000, RMB110,000, nil, respectively, accounting for less than 1% of our trade receivables for the corresponding period 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

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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.

Sales of some of our products are subject to seasonality.

The sales of some of our products are subject to seasonality fluctuations. Historically, we have experienced higher sales of our products ahead of traditional Chinese holidays, such as Chinese New Year. Seasonal variations may cause fluctuations in our interim sales and profits. As a result, our results of operations fluctuate and our interim results may not proportionately reflect our annual results.

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

Our future growth may result from expanding our packaging capacity, introducing New Product Types and Enhanced 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 and sub-contractors that satisfy our quality requirements;
- managing our various suppliers and sub-contractors;
- expanding our sales and promotion team;
- enhancing our research and development capabilities;
- hiring and training qualified personnel;
- 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.

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We plan to strengthen our product coverage in Northern China and Central Western China. During the Track Record Period, the majority of our customers were located in Eastern and Southern China, such as Fujian and Guangdong Provinces. We expect to deepen our penetration in Northern China and Central Western China through building new networks with our existing customers and developing new customers. In addition, we also expect to diversify our sales channels by establishing our own online stores through e-commerce platforms on both mobile and desktop devices. We face increased risks when we enter these new 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.

After Listing, we plan to establish our own online stores through e-commerce platforms on both mobile and desktop devices. 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 fulfilment, payment and other ancillary services associated with e-commerce sales. A decline in the popularity of online shopping or any failure to respond to trends and consumer requirements in the e-commerce channel may materially and adversely affect our sales, business and growth prospects in this sales channel.

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.

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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 additional packaging facilities and equipment, including acquiring land for construction of new packaging facilities and purchasing certain new equipment. The acquisition of land, the construction of new packaging facilities and the purchase of new equipment 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 awareness of health issues, 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.

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 Product Types and Enhanced 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 packaging facility.

Our storage facilities and packaging facilities rely on the continued function of equipment, personnel, electricity and other utilities. Any interruption to our operations may result in loss of sales, reputational damage, workplace safety issues or other consequences that may materially and adversely affect our business.

RISK FACTORS

We rely on a number of freezers with different specifications and other storage equipment to achieve proper storage of our seafood and algae. Any mechanical failures or breakdown of our freezers and other storage equipment could materially disrupt our storage of products and cause us to incur additional costs to repair or replace the affected mechanical system. There can be no assurance that we will not experience any problems with our freezers and other storage equipment or that we will be able to address any such problems or obtain replacements in a timely manner. Problems with any freezer or storage equipment in our packaging facility may affect our ability to maintain and store our products in good and proper condition or cause us to incur significant expense to repair or replace the affected freezer or storage equipment. Any of these could have a material adverse effect on our business, results of operations and financial condition.

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 packaging facility to be shut down periodically. Any disruption in the supply of electricity at our packaging facility 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 packaging facility 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 packaging facility 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 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 two trademarks in the PRC, one of which was “Wofan” (沃豐). 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.

RISK FACTORS

We may not be able to attract and retain senior management and other 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 founder and Chairman, Mr. Liu, who has over 10 years of experience in the industry. If Mr. Liu or any of our Directors and/or any members of senior management 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 dried seafood, seafood snacks and some of our algae and fungi are packaged at our packaging facility. The packaging processes are 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 the years ended 31 December 2014, 2015 and 2016, our labour costs included in cost of sales amounted to approximately RMB1.4 million, RMB2.2 million and RMB2.6 million, representing approximately 0.9%, 0.8% and 0.7% 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 insurance coverage may not be adequate to cover all the risks.

During the Track Record Period, we had secured several insurance policies, including insurance required by the PRC social security regulations for our employees for retirement, unemployment, sickness and industrial injuries. For further details, please refer to the section headed “Business — Insurance” in this prospectus. 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.

RISK FACTORS

We may face product liability claims related to our raw materials, our products or the general seafood and algae industries 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 sub-contractors to follow the standard production policies in the production process or may result from improper handling during transit by Independent Third Party logistic providers, suppliers or sub-contractors.

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, 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 were involved in several incidents related to product quality. For example, in August 2015, our sea whelks (響螺片) were found to contain excessive sulfite in the sampling food inspection conducted by China Food and Drug Administration (國家食品藥品監督管理總局) and as a result, an administrative penalty of RMB2,000 was imposed on us. For further details of the incidents related to product quality, please refer to the section headed “Business — Our Quality Control and Food Safety” in this prospectus. In addition to the risks caused by us or our sub-contractors, we may encounter the same risks if a third party tampers with our products.

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), Measures for Administration of Food Production Licences 《食品生產許可管理辦法》 and Administration of Food Operation Licences 《食品經營許可管理辦法》. 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.

RISK FACTORS

Some of our leased properties have defective titles and we may be required to cease occupation and use of such leased properties if there is a valid claim for them.

As at the Latest Practicable Date, we leased ten properties for our packaging facility, office space, warehouse and cold storage facilities in the PRC. As at the Latest Practicable Date, the lessors of some of the properties had not been able to provide title certificates to demonstrate that they own such properties. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, we may not be able to continue to use such leased properties. If this occurs, we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favourable to us.

As at the Latest Practicable Date, we were not aware of any claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be forced to relocate the affected operations. We cannot provide assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis or at all. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Dividends declared in the past may not be indicative of our dividends to be declared in the future.

During the year ended 31 December 2015, a member of our Group declared and paid dividend of RMB20.0 million. Any dividend declared by us in the future will have to be approved by our Board 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. Accordingly, our historical dividends are not indicative of our future dividend distribution policy. 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. Please refer to the section headed “Financial Information — Dividends” in this prospectus for further details of our dividend policy.

RISKS RELATING TO OUR INDUSTRY

We operate in a highly competitive industry.

We operate in China’s seafood and algae industries and generally face strong competition. Some of our competitors may have longer operating history than us and may have substantially greater financial, research and development and other resources. Our current or potential competitors may market products comparable or superior to those we provide or adapt more quickly to evolving industry trends or changing market requirements. Our competitors in certain regional markets may also benefit from raw material sources that are closer to these markets. It is also possible that there will be consolidation of the market players in the seafood and algae industries or alliances among competitors, especially as the seafood and algae industries are highly fragmented; 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 materially and adversely affected.

RISK FACTORS

Furthermore, competition may cause our competitors to substantially increase their advertising and promotional activities or to engage in irrational or predatory pricing behaviour. Our advertising and promotion expenses amounted to approximately RMB0.6 million, RMB1.6 million and RMB1.9 million for the years ended 31 December 2014, 2015 and 2016, respectively. 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 advertising and promotion expenses, which might place pressure on our margins and affect our profitability. Additionally, competition may result in price reductions, reduced profit margins and loss of market share for us, any of which could have a material 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 brand and product quality or to influence consumer confidence in our products.

China's seafood and algae industries are 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 demand for our products, lead to potential insolvencies among our suppliers, 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》 which was amended and became effective on 1 October 2015. 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 section headed "PRC Regulatory Overview" in this prospectus 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.

RISK FACTORS

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 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, control of foreign exchange and allocation of resources. Since 1978, the PRC Government has implemented many economic and social reform measures. As a result, China is experiencing a transition from a planned economy to a more market-oriented economy. Many of the reforms are exploratory or experimental, and they are expected to be modified as the economic and social situation develops. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. Although China has experienced rapid economic growth over the past decades, its continued growth has been facing downward pressure since the second half of 2008 and its annual GDP growth rate has declined from approximately 9.5% in 2011 to approximately 7.7% in 2012 and from approximately 7.7% in 2013 to approximately 7.4% in 2014, as well as from approximately 6.9% in 2015 to approximately 6.7% in 2016, according to National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that future growth will be sustained at similar rates or at all. Our business, financial position, results of operations and prospects may be materially and adversely affected by PRC Government's political, economic and social policies affecting our industries.

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 mainly 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

RISK FACTORS

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 enforcement of labour related laws in China could materially and adversely affect our results of operations.

A majority of our employees are located in the PRC. The Labour Contract Law imposes requirements relating to, among other things, minimum wage, severance payment and time limits for probation periods. It also provides that social insurance is required to be paid for employees and that employees are entitled to unilaterally terminate their labour contracts if such requirements are not satisfied. In addition, the PRC Government has continued to introduce new labour-related regulations. As a result of such labour-related PRC laws and regulations, which are designed to enhance labour protection, we expect our labour costs to increase, as the continued success of our business depends significantly on our ability to attract and retain qualified employees.

There exists uncertainties as to the interpretation, implementation and enforcement of these obligations under the relevant the PRC labour laws. If relevant authorities determine that we have not complied fully with such obligations, we could be in violation of applicable PRC labour laws and the PRC Government may impose penalties for any alleged failure to comply with such labour laws. If we become subject to severe penalties or incur significant liabilities in connection with labour disputes or investigations, our business and results of operations may be materially and adversely affected.

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.

RISK FACTORS

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 10%. 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 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 Hong Kong Tax Treaty, are met, the withholding rate could be reduced to 5%. 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 New Lead, our indirect subsidiary incorporated in Hong Kong which holds our PRC entities. If, under Circular 601, New Lead 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 10% rather than the more favourable 5% rate applicable under the Hong Kong Tax Treaty. In that case, our financial position and results of operations may be materially and adversely affected.

RISK FACTORS

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, 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 the 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 or split), the PRC resident shall register such change with the local branch of SAFE timely.

To the best of our knowledge, as at the Latest Practicable Date, Mr. Liu, Liu Tianping, Ms. Lin, and Ms. Zhang 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 or 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 net proceeds from the Global Offering 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 net proceeds from the Global Offering, 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.

RISK FACTORS

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 Global Offering 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 the 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 officers 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 within the United States or elsewhere outside the PRC upon us or most of our Directors and officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

RISK FACTORS

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 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. In addition, the Arrangement contains specific definitions of the terms “enforceable final judgement”, “certain legal relationship” and “written form”. Final judgments that are not compliant with the Arrangement may not be recognised or enforced by a PRC court. Moreover, we cannot assure you that all final judgments that are compliant with the Arrangement will be recognised and effectively enforced by a PRC court.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market in our Shares may not develop.

Prior to the Global Offering, there was no public market for our Shares. The Offer Price of our Shares is the result of negotiations between us and the Joint Global Coordinators (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. There is no guarantee that an active trading market for our Shares will develop or, if it does develop, that it will sustain or that the market price of our Shares will not decline after the Global Offering.

The market price and trading volume of our Shares may be volatile, which may result in substantial losses for investors in our Shares.

The price and trading volume of our Shares may fluctuate widely in response to factors beyond our control. The factors that could cause significant market price 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.

RISK FACTORS

There will be a time gap of several business days between pricing and trading of our Shares offered under the Global Offering. The market price of the Shares after trading begins could be lower than the Offer Price.

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

Control by our Controlling Shareholders of a substantial percentage of our Company's share capital after the completion of the Global Offering 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 Global Offering, 52.5% of our Shares will be held by our Controlling Shareholders without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme. After the completion of the Global Offering, 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 market price of our Shares.

The market price of our Shares may be materially and adversely affected by future sales of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders. The Shares held by our Controlling Shareholders are subject to certain lock-up arrangements; please refer to the sections headed "Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Undertakings" in this prospectus 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 market price of our Shares, which could materially and adversely affect our ability to raise equity capital.

RISK FACTORS

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 Global Offering.

The Offer Price of our Shares is higher than our net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares will experience an immediate dilution in pro forma net tangible book value per Share. Our existing Shareholders will, however, receive an increase in pro forma net tangible book value per Share with respect to their Shares. In addition, if the Joint Global Coordinators exercise the Over-allotment Option, holder of our Shares may experience further dilution.

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

In this prospectus, 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 ASKCI 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 Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy in other jurisdictions. You should consider carefully that how much weight you should place on those facts, forecasts and statistics.

RISK FACTORS

This prospectus 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 prospectus 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 prospectus 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.

The financial results of our Group will be affected by our listing expenses.

The financial results of our Group will be affected by certain non-recurring expenses including the expenses in relation to the Global Offering and the Listing. We will bear the expenses in relation to the Global Offering and the Listing (mainly comprising the Sole Sponsor's fee, legal and other professional fees, underwriting commission and printing fee) of approximately RMB37.2 million. Of such amount, approximately RMB15.6 million is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity. The remaining amount of approximately RMB21.6 million has been or is to be charged to the consolidated statements of profit or loss and other comprehensive income, of which (i) approximately RMB0.1 million and RMB9.0 million was recognised for the year ended 31 December 2015 and the year ended 31 December 2016, respectively, representing approximately 0.2% and 14.7% of our Group's profit for the corresponding year (according to Accountants' Report as set out in Appendix I to this prospectus); and (ii) approximately RMB12.5 million is expected to be charged upon the Listing (according to our current estimation).

Our Directors would like to emphasise that the listing expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions.

Accordingly, our Shareholders and potential investors should be informed that the financial results of our Group for the year ending 31 December 2017 will be materially and adversely affected by the estimated expenses of approximately RMB12.5 million to be recognised in our consolidated statements of profits or loss and other comprehensive income in relation to the Global Offering and the Listing, which represent approximately 20.6% of our Group's profits for the year ended 31 December 2016.

RISK FACTORS

You may experience difficulties in enforcing your shareholder rights because we were 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 Law 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 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 our Company and Cayman Companies Law” in Appendix III to this prospectus.

Our Controlling Shareholders have given a lock-up undertaking to the Joint Global Coordinators, our Company, the Public Offer Underwriters that may not be enforced effectively.

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders undertakes jointly and severally to each of the Joint Global Coordinators, our Company, the Public Offer Underwriters for an additional 24 months commencing on the expiry date of the first 12 months lock-up period after Listing not to, among other things, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any relevant securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder of our Company or would together with the other Controlling Shareholders cease to be the controlling shareholders of our Company. Please refer to the section headed “Underwriting — Underwriting Arrangements and Expenses” in this prospectus for further details. Given that these undertakings are given to the Joint Global Coordinators, our Company, the Public Offer Underwriters only and are in addition to the undertakings required to be given by us and our Controlling Shareholders pursuant to Rules 10.07(1) and 10.08 of the Listing Rules, there is a risk that the Joint Global Coordinators, our Company, the Public Offer Underwriters may fail to enforce such undertakings effectively. The voluntary lock-up undertaking provided by our Controlling Shareholders can be waived with the consent of (i) all the independent non-executive Directors of our Company; and (ii) the Sole Sponsor and the Joint Global Coordinators. The sale of a substantial number of Shares by our Controlling Shareholders or the market perception that such sale may occur during the said 24-month period could materially and adversely affect the prevailing market price of the Shares.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, competition and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. Should one or more of the risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- the success of our existing and future operation;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to implement these strategies;
- our capital expenditure plans;
- our dividend policy;
- our ability to materialise and manage our planned business expansion;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial conditions;
- laws, regulations and rules in the PRC which will affect our industry; and
- other factors that are described in the section headed “Risk Factors” in this prospectus.

FORWARD-LOOKING STATEMENTS

Any forward-looking statement made by us in this prospectus applies only as at the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable laws in the countries of their respective citizenship, residence and domicile.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information about our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

The Global Offering is made solely on the basis of the information contained and the representation made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein should not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Global Offering. For applicants under the Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Public Offer.

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters and the International Placing is expected to be fully underwritten by the International Placing Underwriters. The Global Offering is subject to our Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is lead managed by the Joint Lead Managers.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of the Offer Shares, to confirm, that he is aware of the restrictions on offers and sale of the Offer Shares described in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG REGISTER AND STAMP DUTY

All Offer Shares sold pursuant to applications made in the Public Offer will be registered on our Company's register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by the Cayman Share Registrar, Conyers Trust Company (Cayman) Limited.

Dealings in the Offer Shares registered in the register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty. Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for, or the market value of, the Shares, will be payable by the purchaser on every purchase and by the seller on every sale of the Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of the Shares. Where one of the parties to a transfer is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

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

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus and on the related Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Public Offer, the International Placing and the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

ROUNDING

Certain monetary amounts included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangement have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangements and how such arrangements will affect their rights and interests.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Renminbi have been translated, for illusion purpose only, into Hong Kong dollar in this prospectus at the rate of RMB0.8742 = HK\$1.00.

No representation is made that any amount in Renminbi, US dollar or HK dollar can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Liu Rongru (劉榮如)	Room 401, No. 27 Jinshang Road Siming District, Xiamen City Fujian Province PRC	Chinese
Mr. Jiang Dehua (蔣德華)	Room 405, No. 28 Rongxin City One No. 580 Jinshan Avenue, Cangshan District Fuzhou City, Fujian Province PRC	Chinese
Mr. Lin Jiangtang (林江棠)	Room 501, 888 Lianqiandong Road Siming District, Xiamen City Fujian Province PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Huang Xingluan (黃興孳)	Room 1702, No. 55 South Huizhan Erli Siming District, Xiamen City Fujian Province PRC	Chinese
Mr. Liu Dajin (劉大進)	Room 404, Block 11 1 Jicen Road, Jimei District Xiamen City, Fujian Province PRC	Chinese
Ms. Cheng Shing Yan (鄭承欣)	Flat RA 53/F Tower 11, R Wing (Morning Haze) La Splendeur, Lohas Park Tseung Kwan O, New Territories Hong Kong	Chinese

For more information on our Directors and members of senior management, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Dongxing Securities (Hong Kong) Company Limited
A licensed corporation under the SFO permitted to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
6805-6806A
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

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

Dongxing Securities (Hong Kong) Company Limited
A licensed corporation under the SFO permitted to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
6805-6806A
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Wealth Link Securities Limited
A licensed corporation under the SFO permitted to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
Unit B1, 5/F Guangdong Investment Tower
148 Connaught Road, Central
Hong Kong

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

Legal advisers to our Company

as to Hong Kong law:

Winston & Strawn
Solicitors, Hong Kong
42nd Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

as to Hong Kong law:

Shearman & Sterling
12th Floor, Gloucester Tower
15 Queen's Road Central
Central
Hong Kong

as to Cayman Islands law:

Conyers Dill & Pearman
Cayman Islands attorneys-at-law
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

as to PRC law:

Jingtian & Gongcheng
PRC attorneys-at-law
34/F., Tower 3
China Central Place
77 Jianguo Road
Beijing, China

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

as to Hong Kong law:

Loeb & Loeb LLP
Solicitors, Hong Kong
21/F., CCB Tower
3 Connaught Road Central
Hong Kong

as to PRC law:

Commerce & Finance Law Offices
PRC attorneys-at-law
6/F., NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing, China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditors and reporting accountants	BDO Limited <i>Certified Public Accountants</i> 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Industry consultant	ASKCI Consulting Co., Ltd <i>Industry consultant</i> 7/F, Yinsheng Building No.1001 Hongli Road Futian District Shenzhen, China
Receiving bank	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street, Central Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters in the PRC	5th Floor, No. 5 Factory, Mexi Road, Huandong Waters, Tongon District, Huli Industrial Park, Xiamen City, Fujian Province, PRC
Principal place of business in Hong Kong	Room 1004, 10/F No. 303 Hennessy Road Wan Chai Hong Kong
Company's website address	www.xmwofan.com <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Wong Wai Lun (黃偉倫) (HKICPA) Flat G, 3/F, Block 3 Greenfield Garden 1 Fung Shue Wo Road Tsing Yi, New Territories Hong Kong
Authorised representatives	Liu Rongru (劉榮如) Room 401, No. 27 Jinshang Road Siming District, Xiamen City Fujian Province PRC Wong Wai Lun (黃偉倫) Flat G, 3/F, Block 3 Greenfield Garden 1 Fung Shue Wo Road Tsing Yi, New Territories Hong Kong
Compliance adviser	Dongxing Securities (Hong Kong) Company Limited 6805-6806A International Commerce Centre 1 Austin Road West, Kowloon Hong Kong

CORPORATE INFORMATION

Audit committee	Cheng Shing Yan (鄭承欣) (<i>Chairman</i>) Huang Xingluan (黃興學) Liu Dajin (劉大進)
Remuneration committee	Liu Dajin (劉大進) (<i>Chairman</i>) Huang Xingluan (黃興學) Liu Rongru (劉榮如)
Nomination committee	Liu Rongru (劉榮如) (<i>Chairman</i>) Huang Xingluan (黃興學) Liu Dajin (劉大進)
Cayman Share Registrar	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Xiamen Bank, Huachang Branch No. 86 Huachang Road Xiamen, Fujian Province China China Construction Bank, Xiamen Hubin Branch Unit 1A No. 388 South Hubin Road Xiamen, Fujian Province China

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong and this normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

The principal business operations of our Group are based in the PRC. None of the executive Directors are Hong Kong permanent residents or ordinarily based in Hong Kong. Our Company considers that either appointment of any additional executive Director who will be ordinarily resident in Hong Kong or relocation of any of the existing executive Directors to Hong Kong will not be beneficial to or appropriate for our Group. In that regard, our Company does not, and does not contemplate in the foreseeable future that it will, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

We have obtained from the Stock Exchange a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) We will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives to be appointed are Mr. Liu and Wong Wai Lun. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange and their respective contact details have been provided to the Stock Exchange.
- (b) Both authorised representatives have means to contact all members of our board of Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. In the event that an executive Director or independent non-executive Director expects to travel and be out of office, he will provide to the authorised representatives the telephone number of the place of his accommodation or other contact details. This would ensure that each of the authorised representatives would have the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters.
- (c) To further enhance communications between the Stock Exchange and our Directors, each executive Director and independent non-executive Director has provided to the Stock Exchange his mobile telephone number, office telephone number, residential telephone number, fax number and email address.
- (d) Each of our Directors (including the independent non-executive Directors) who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be available to meet with the Stock Exchange within a reasonable period upon the request of the Stock Exchange.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (e) In compliance with Rule 3A.19 of the Listing Rules, we will appoint Dongxing Securities as the compliance adviser of our Company to act as an additional channel of communication with the Stock Exchange for the period commencing on the date of the Listing and ending on the date on which we comply with Rule 13.46 in respect of its financial results for the first full financial year commencing after the date of the Listing.
- (f) Our Company will retain other professional advisers (including legal advisers and accountants) after the Listing to assist us in dealing with any questions which may be raised by the Stock Exchange from time to time.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions for our Company under the Listing Rules following completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details of such continuing connected transactions and the waiver, please refer to the section headed “Connected Transactions” in this prospectus.

INDUSTRY OVERVIEW

Certain information contained in this section and elsewhere in this prospectus has been derived from various public sources or extracted from a market research report, the ASKCI Report, prepared by ASKCI for the purposes of this prospectus. We believe that the sources of the information in this section are appropriate sources for such information, and we 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. However, such information has not been independently verified by us or any of our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Underwriters and no representation is given as to its accuracy. Such information may not be consistent with the information compiled by other sources.

SOURCES OF INFORMATION

We commissioned ASKCI, an independent market research and consulting company, to conduct an analysis of, and to report on the industry trend, development trend and competitive landscape of the seafood and algae industries in China for a fee of RMB460,000. ASKCI is an independent professional market research company with extensive experience in their profession. ASKCI is one of the leading consulting companies with over 10 years of experience in industry analysis and consulting services, and provides a comprehensive range of services including industry analysis, market segment research and consulting services to enterprises. ASKCI has been commissioned by multinational corporations, governments, universities, research institutions and investment and finance companies for various projects including market surveys and initial public offerings.

RESEARCH METHODOLOGY

Information contained in the ASKCI Report is derived from the following sources:

- (i) public sources including national statistics, regulatory authorities, professional industry literature, the database of ASKCI and other third party reports; and
- (ii) interviews with leading enterprises and industry participants in the PRC. ASKCI referenced second hand information (including public information published by the PRC Government) and first hand information (including information and data collected by ASKCI through interviews with industry participants in the seafood, algae and seafood snack industries) to verify the quality of the selected data or information and to avoid mono-source information. ASKCI aims to increase the reliability and minimise the errors of its findings by comparing and verifying the data and information from the interviewees and its other sources.

Analysis in the ASKCI Report are based on the following assumptions:

- (i) the overall economy in the PRC will continue to grow at a steady pace in the next five years and the social and economic environment of the relevant industry in the PRC will remain stable;
- (ii) consumers' purchasing power will continue to rise and the increasing purchasing power will stimulate the growth rate of the overall market of seafood, algae and seafood snack industries during the forecast period;

INDUSTRY OVERVIEW

- (iii) the consumption of seafood and algae will rise as consumers are beginning to pay more attention to health issues and such trend will stimulate the growth rate of the overall market of seafood, algae and seafood snack industries during the forecast period;
- (iv) there is no material adverse change that will affect the supply of raw materials and availability of seafood processing services during the forecast period; and
- (v) the national and local PRC Government policies and regulations relating to seafood processing, algae processing and the sales and packaging of seafood and algae will not change significantly.

NO MATERIAL ADVERSE CHANGE IN MARKET INFORMATION

Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the ASKCI Report or the date of the relevant data contained in the ASKCI Report which may qualify, contradict or have an impact on the information in this section.

MACROECONOMIC ENVIRONMENT ANALYSIS

China has been the world's second largest economy and one of the fastest developing countries based on GDP since its economic reform and liberalisation. According to the National Bureau of Statistics of China, China's GDP has grown at a CAGR of approximately 9.0% from approximately RMB48.4 trillion in 2011 to approximately RMB74.4 trillion in 2016. In the coming five years, China's GDP is estimated to grow at a rate of 6.5% or above, as it enters a stage of more moderate development.

As the household income per capita in China has increased, the consumption of food, seafood and algae products has also grown rapidly. According to the National Bureau of Statistics of China, urban residents in China increased their expenditure on food consumption from approximately RMB5,506.3 per capita in 2011 to RMB7,138.4 in 2016, representing a CAGR of approximately 5.3%. In particular, during this period, they increased their expenditure on seafood consumption at a CAGR of approximately 7.6% from approximately RMB163.0 to RMB235.6 and their expenditure on algae consumption at a CAGR of approximately 8.5% from approximately RMB16.8 to RMB25.3.

SEAFOOD AND ALGAE INDUSTRIES IN CHINA

In recent years, China's seafood and algae industries have experienced rapid development with the types of products being increasingly diversified and the industry chain being gradually extended. The retail sales value of China's seafood and algae grew at a CAGR of 8.2%, from approximately RMB219.6 billion in 2011 to approximately RMB325.8 billion in 2016, of which (i) approximately 52.0% were attributable to frozen seafood; (ii) approximately 12.7% to dried seafood; (iii) approximately 10.7% to algae; (iv) approximately 4.9% to seafood snacks; and (v) the remaining approximate 19.7% to other products. The retail sales value of China's seafood and algae is expected to grow at a CAGR of 7.0% until 2021.

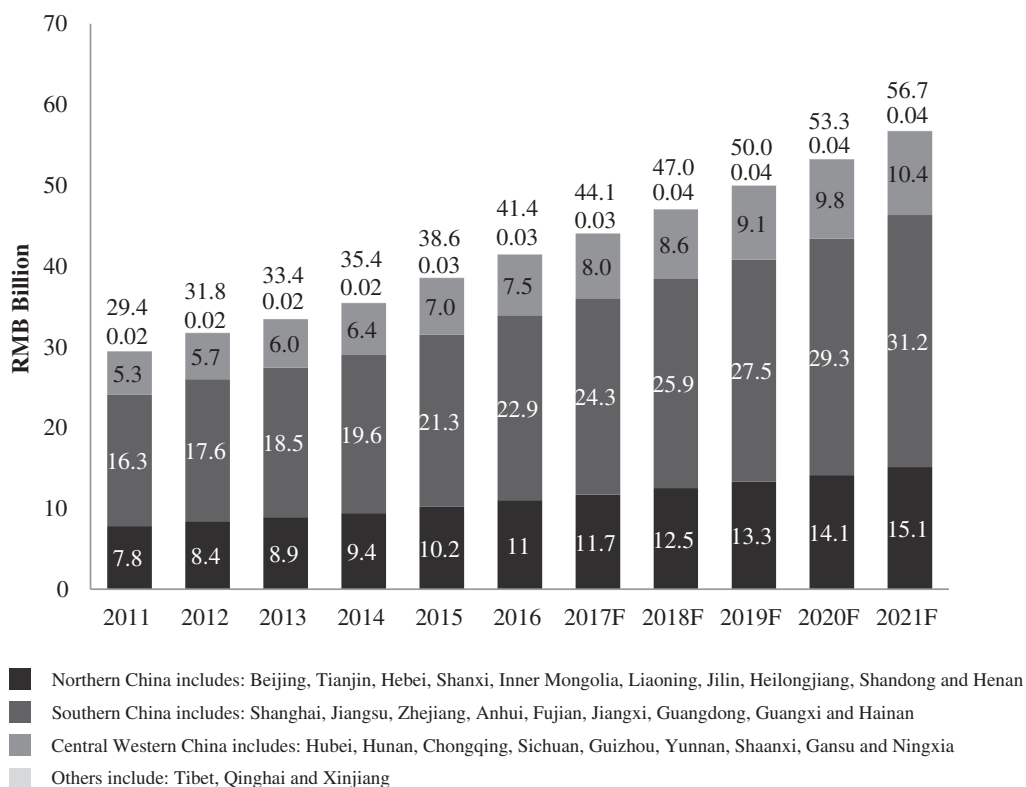
INDUSTRY OVERVIEW

(A) Dried Seafood Industry in China

According to a 2011 publication by the Centre of Excellence Science Seafood & Health Innovation Research Institute of the Curtin University of Technology, Australia, seafood offers omega-3 long chain polyunsaturated fatty acids and a range of nutrients that are typically deficient in diets, including iodine, calcium, vitamin D, zinc and iron. Dried seafood is made by processing raw seafood for preservation and flavour and, according to ASKCI, based on its research on published articles, dried seafood are found to possess nutritional values and health benefits similar to those of raw seafood with proper preparation and storage.

According to the ASKCI Report (compiled by making references to data sourced from China Fishery Statistics Yearbook and General Administration of Customs of the PRC), the retail sales value of dried seafood in China has grown at a CAGR of approximately 7.1% from approximately RMB29.4 billion in 2011 to approximately RMB41.4 billion in 2016. As purchasing power, health consciousness and public awareness over the health benefits of seafood increase, it is estimated that the retail sales value of dried seafood will continue to grow at a CAGR of approximately 6.5% from 2017 to 2021, reaching approximately RMB56.7 billion by 2021. It is estimated that the retail sales value of dried seafood in Northern area, Southern area, Central Western area and others will continue to grow at a CAGR of approximately 6.6%, 6.4%, 6.8%, and 7.0% respectively from 2017 to 2021.

Retail Sales Value of Dried Seafood in China (2011-2021F)



Source: ASKCI, China Fishery Statistics Yearbook and General Administration of Customs of the PRC

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Competitive Landscape of Dried Seafood Market in China

The key market players in the dried seafood market mainly comprise three types of enterprises — (i) dried seafood sellers that have more comprehensive processing and operating capabilities, including fishing/farming, processing and sales; (ii) branded seafood enterprises that sub-contract processing to third parties and sell products under their own brands; and (iii) manufacturers that act as sub-contractors for branded seafood enterprises.

According to the ASKCI Report, the dried seafood market in China is highly fragmented, primarily comprising small regional enterprises located in Shandong, Fujian, Zhejiang, Liaoning, and the Eastern China coastal areas. No large national brands have been established yet. Leading brands of dried seafood focus on product quality, research and development and food safety. The top five companies in the dried seafood market in China only accounted for an aggregate of approximately 2.66% of the total market for the year ended 31 December 2016.

The following table shows their market share in China for the year ended 31 December 2016:

<u>Ranking</u>	<u>Company name</u>	<u>Headquarters location</u>	<u>Types of enterprises</u>	<u>Approximate retail sales value⁽¹⁾</u> (RMB Million)	<u>Approximate market share⁽²⁾</u>
1	Our Group	Fujian Province	Branded seafood and algae enterprise	384	0.93%
2	Company B	Liaoning Province	Dried seafood products seller	213	0.51%
3	Company C	Shandong Province	Dried seafood products seller	188	0.45%
4	Company D	Fujian Province	Dried seafood products seller	175	0.42%
5	Company E	Liaoning Province	Dried seafood products seller	145	0.35%
	Others				97.34%
	Total				<u>100.00%</u>

Notes:

1. The retail sales value represents the aggregate value of sales of dried seafood in retail market.
2. Market share is calculated based on the retail sales value of dried seafood in China for the year ended 31 December 2016.

Source: ASKCI

Our Group ranked the first in the dried seafood market in China in terms of retail sales value for dried seafood for the year ended 31 December 2016. We enjoyed competitive advantages over our competitors mainly because of our relationships with customers and suppliers, product portfolio and quality standards and control. For details, please refer to the section headed “Business — Our Competitive Strengths” in this prospectus.

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Sales Channels for Dried Seafood in China

Dried seafood is traditionally sold at farmers markets. More modern channels include supermarkets, department stores and e-commerce. Recently, consumers have begun to focus more on branding and product quality and shifted from farmers markets to “quality-insured” supermarkets. According to the ASKCI Report, in 2016, 71.2% of the total retail sales of dried seafood in China was sold through supermarkets, 10.2% was sold through farmers markets and 8.6% through e-commerce. Other channels, which include retail stores, chain stores and franchise stores, accounted for approximately 10.0%.

(B) Algae Industry in China ^(Note)

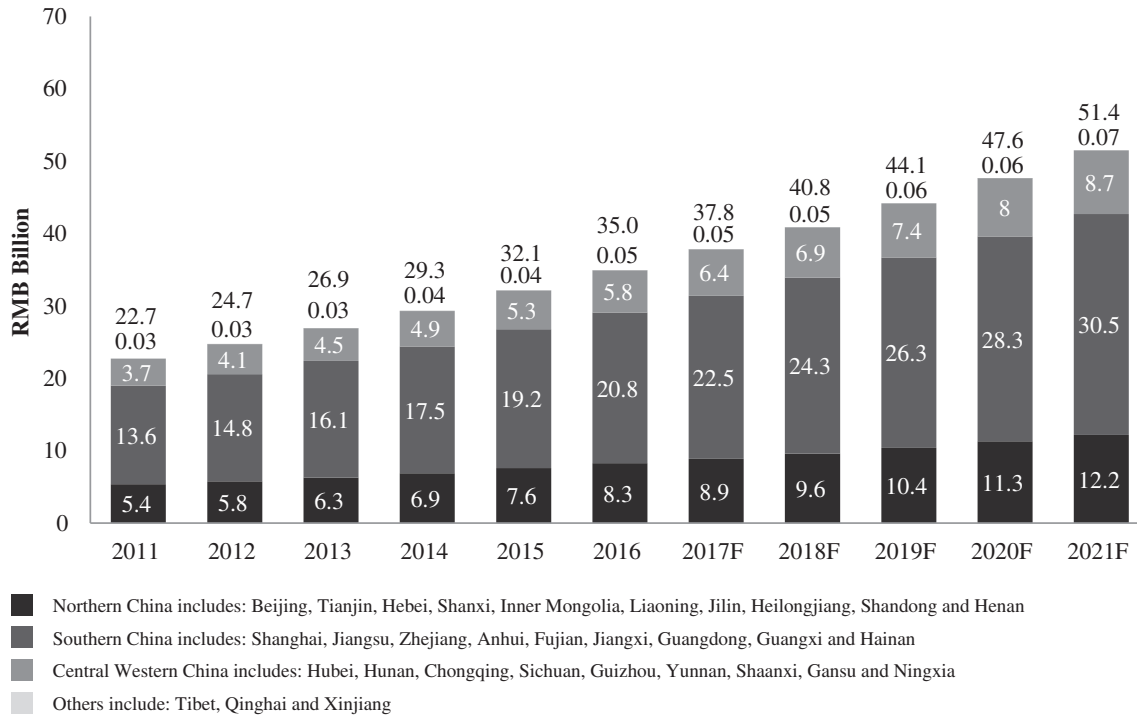
According to ASKCI, based on its research on published articles, dried algae are found to possess nutritional values and health benefits similar to those of raw algae with proper preparation and storage. In particular, according to the article entitled “Research Progress of Seaweed on the Promotion of Human Health (《海藻對人類健康促進作用的研究進展》)” published on “Chinese Fisheries” (《中國水產》) Issue No. 9, 2015:

- Algae is nutrient-rich and contains vasoactive chemicals with anti-tumour, anti-ageing and cardiovascular system protection functions. The food, supplement and drug products processed from algae are highly popular.
- The nutrition content and vasoactive chemicals of algae are mainly polysaccharides, proteins, desmethylsterols, vitamins and antibiotics with nutritional qualities of low fat, low calorie, high protein, high dietary fibre, and richness in trace elements, containing substantial nutritional and medicinal values for human health.

The total retail sales value of algae in China have grown at a CAGR of approximately 9.0% from approximately RMB22.7 billion in 2011 to approximately RMB35.0 billion in 2016. As purchasing power, health consciousness and public awareness over the benefits of algae increases, it is estimated that the total retail sales value of algae in China will continue to grow at a CAGR of approximately 8.0% from 2017 to 2021, reaching approximately RMB51.4 billion by 2021. It is estimated that the retail sales value of algae in Northern area, Southern area, Central Western area and others will continue to grow at a CAGR of approximately 8.2%, 7.9%, 8.0%, and 8.3% respectively from 2017 to 2021.

INDUSTRY OVERVIEW

Retail Sales Value of Algae in China (2011-2021F)



Source: ASKCI

Note: Statistics on fungi are not included in the ASKCI Report and this prospectus since the revenue of our Group attributable to fungi for the years ended 31 December 2014, 2015 and 2016 were nil, RMB4.5 million and RMB8.0 million, respectively, which were insignificant.

Competitive Landscape of Algae Market in China

The key market players in the algae market mainly comprise three types of enterprises — (i) algae sellers that have more comprehensive processing and operating capabilities, including fishing/farming, processing and sales; (ii) branded algae enterprises that sub-contract processing to third parties and sell products under their own brands; and (iii) manufacturers that act as sub-contractors for branded algae enterprises.

The market players in algae market in China are concentrated in Shandong and Fujian Provinces. The aggregate market share of the top five algae market players was approximately 11.01% for the year ended 31 December 2016.

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The following table shows their market share in China for the year ended 31 December 2016:

<u>Ranking</u>	<u>Company name</u>	<u>Headquarters location</u>	<u>Types of enterprises</u>	<u>Approximate retail sales value⁽¹⁾</u> (RMB Million)	<u>Approximate market share⁽²⁾</u>
1	Company F	Shandong Province	Algae products seller	1,470	4.20%
2	Company G	Fujian Province	Algae products seller	742	2.12%
3	Company H	Fujian Province	Algae products seller	718	2.05%
4	Company I	Shandong Province	Algae products seller	503	1.44%
5	Company J	Shandong Province	Algae products seller	420	1.20%
	Our Group	Fujian Province	Branded seafood and algae enterprise	259	0.74%
	Others				88.25%
	Total				100.00%

Notes:

1. The retail sales value represents the aggregate value of sales of algae in retail market.
2. Market share calculated based on retail sales value of algae in China for the year ended 31 December 2016.

Source: ASKCI

Sales Channels for Algae in China

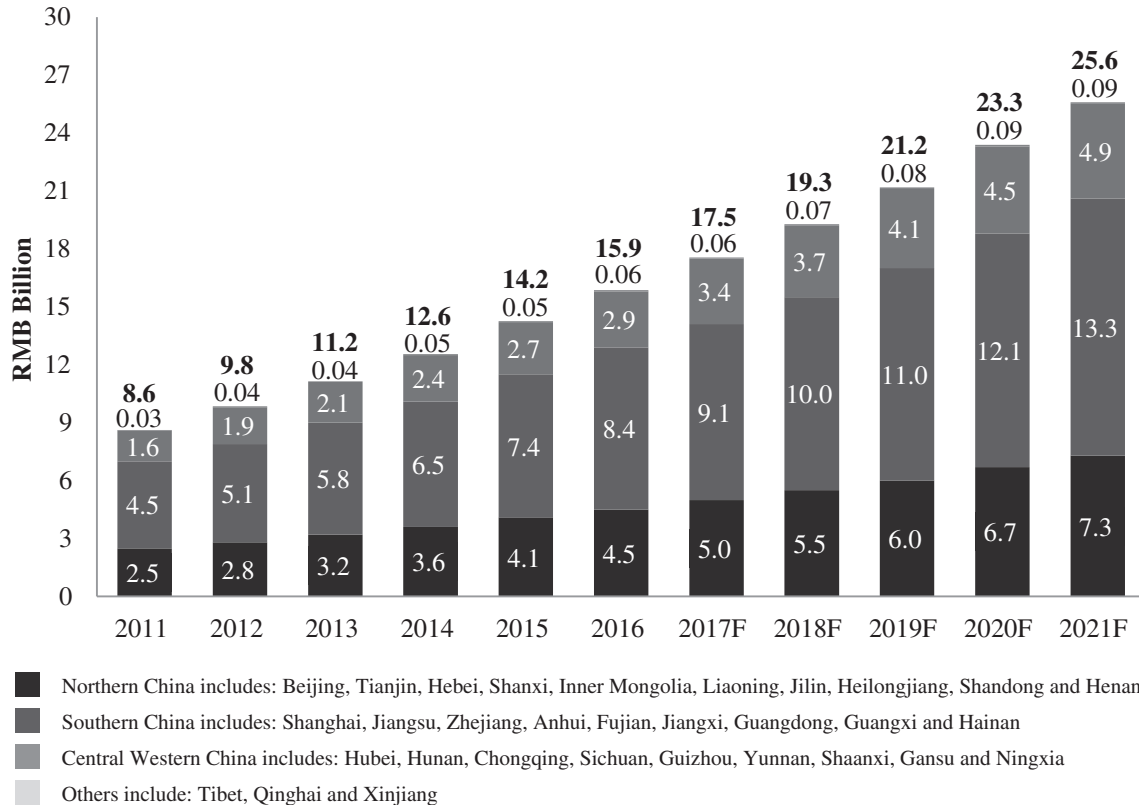
The dominant algae are seaweeds and porphyra, and the major sales channels for algae are supermarkets, department stores and farmers markets. According to the ASKCI Report, retail sales through supermarkets accounted for approximately 32.8% of the total retail sales of algae in China in 2016, farmers markets accounted for 30.2%, e-commerce accounted for 7.5% and other channels accounted for 29.5%.

(C) Seafood Snack Industry in China

Seafood snacks include: (i) snacks of marine animals (such as shredded squid and barbecued eel); and (ii) snacks of marine plants (such as sea sedge). According to ASKCI, based on its research on published articles, seafood snacks are found to possess nutritional values and health benefits similar to those of raw seafood with proper preparation and storage. According to the ASKCI Report, the total retail sales value of seafood snacks in China grew at a CAGR of approximately 13.1% from approximately RMB8.6 billion in 2011 to approximately RMB15.9 billion in 2016. Benefiting from the overall seafood industry drivers and developments in retail sales channels, the total retail sales value of seafood snacks in China is forecasted to continue to increase at a CAGR of approximately 10.0% from 2017 to 2021, reaching approximately RMB25.6 billion by 2021. It is estimated that the retail sales value of seafood snacks in Northern area, Southern area, Central Western area and others will continue to grow at a CAGR of approximately 9.9%, 10.0%, 9.6%, and 10.7% respectively from 2017 to 2021.

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Retail Sales Value of Seafood Snacks in China (2011-2021F)



Source: ASKCI

Competitive Landscape of Seafood Snack Market in China

The key market players in the seafood snack market mainly comprise four types of enterprises — (i) seafood snack sellers that have more comprehensive processing and operating capabilities, including fishing/farming, processing and sales; (ii) branded seafood snack enterprises that sub-contract processing to third parties and sell products under their own brands; (iii) manufacturers that act as sub-contractors for branded seafood snack enterprises; and (iv) retail chain enterprises that sell various kinds of snack products.

The seafood snack industry in China mainly comprises small and medium enterprises. The aggregate market share of the top five seafood snack market players in China amounted to only approximately 29.67% for the year ended 31 December 2016.

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The following table shows their respective market share in China for the year ended 31 December 2016 are as follows:

<u>Ranking</u>	<u>Company name</u>	<u>Headquarters location</u>	<u>Types of enterprises</u>	<u>Approximate retail sales value⁽¹⁾</u> (RMB Million)	<u>Approximate market share⁽²⁾</u>
1	Company K	Guangdong Province	Seafood snack products seller	2,550	16.02%
2	Company L	Shandong Province	Seafood snack products seller	643	4.04%
3	Company M	Liaoning Province	Seafood snack products seller	582	3.66%
4	Company N	Fujian Province	Seafood snack products seller	496	3.12%
5	Company O	Zhejiang Province	Seafood snack products seller	450	2.83%
	Our Group	Fujian Province	Branded seafood and algae enterprise	51	0.32%
	Others				70.01%
	Total				100.00%

Notes:

1. The retail sales value represents the aggregate value of sales of seafood snacks in retail market.
2. Market share calculated based on retail sales value of seafood snacks in China for the year ended 31 December 2016.

Source: ASKCI

Sales Channels for Seafood Snacks in China

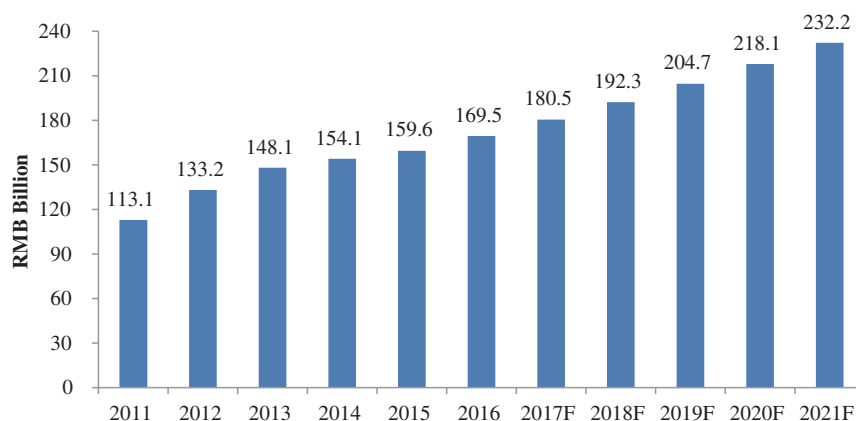
Sales channels for seafood snacks include (i) supermarkets; (ii) department stores; (iii) chain stores; (iv) retail stores (such as grocery stores, retail stores and specialty stores in the airport, railway stations and tourist attractions); and (v) e-commerce. According to the ASKCI Report, sales through supermarkets accounted for approximately 57.8% of the total retail sales of seafood snacks in China in 2016, chain stores (which include retail store and convenience store chains but exclude supermarket chains) accounted for approximately 14.1% and e-commerce accounted for approximately 10.2%. Other channels (such as grocery stores, retail stores and specialty stores in the airport, railway stations and tourist attractions) accounted for approximately 17.9%.

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(D) Frozen Seafood Industry in China

According to the ASKCI Report, retail sales value of frozen seafood in China grew at a CAGR of approximately 8.4% from approximately RMB113.1 billion in 2011 to approximately RMB169.5 billion in 2016. Benefiting from the overall seafood industry drivers and improvements in frozen food chain logistic systems, the retail sales value of frozen seafood is forecasted to grow at a CAGR of approximately 6.5%, reaching approximately RMB232.2 billion by 2021.

Retail Sales Value of Frozen Seafood in China (2011-2021F)



Note: Retail sales value of frozen seafood only refers to the sales in the domestic market, and excludes the export sales.

Source: ASKCI

Competitive Landscape of Frozen Seafood Market in China

The key market players in the frozen seafood market mainly comprise three types of enterprises — (i) frozen seafood seller that have more comprehensive processing and operating capabilities including fishing/farming, processing and sales; (ii) branded frozen seafood enterprises that sub-contract processing to third parties while selling the products under their own brands; and (iii) original equipment manufacturers that act as sub-contractors for branded frozen seafood enterprises.

The market of frozen seafood is fragmented in China. There are mainly production and processing entities, and most of these entities are located in Shandong, Fujian, Zhejiang and Liaoning Provinces. The larger entities are mostly export-oriented. The aggregate market share of the top five frozen seafood market players in the frozen seafood market in China only amounted to approximately 2.39% for the year ended 31 December 2016.

INDUSTRY OVERVIEW

The following table shows their market share in China for the year ended 31 December 2016:

<u>Ranking</u>	<u>Company name</u>	<u>Headquarters location</u>	<u>Types of enterprises</u>	<u>Approximate retail sales value⁽¹⁾</u> (RMB Million)	<u>Approximate market share⁽²⁾</u>
1	Company P	Liaoning Province	Frozen seafood seller	1,368	0.81%
2	Company Q	Zhejiang Province	Frozen seafood seller	1,039	0.61%
3	Company R	Guangdong Province	Frozen seafood seller	741	0.44%
4	Company S	Fujian Province	Frozen seafood seller	492	0.29%
5	Company T	Beijing City	Frozen seafood seller	408	0.24%
	Our Group	Fujian province	Branded seafood and algae enterprise	11	0.01%
	Others				97.60%
	Total				100.00%

Notes:

1. The retail sales value represents the aggregate value of sales of goods in retail market.
2. Market share calculated based on retail sales value of frozen seafood in China for the year ended 31 December 2016.

Source: ASKCI

Sales Channels for Frozen Seafood in China

The main sales channels for frozen seafood include (i) supermarkets; and (ii) farmers market. With the development of cold-chain logistics, the proportion of sales through e-commerce has increased. According to the ASKCI Report, supermarkets accounted for approximately 45.1% of total sales value of frozen seafood in China in 2016, farmers market accounted for approximately 44.2% and e-commerce accounted for approximately 7.3%. The remaining approximate 3.4% was sold through exclusive agency and other channels.

COMPETITIVE LANDSCAPE OF DRIED SEAFOOD AND ALGAE MARKETS IN CENTRAL WESTERN CHINA AND NORTHERN CHINA

Dried seafood and algae products are becoming increasingly accepted by consumers in Central Western China and Northern China, with a number of local brands in Central and Northern China enjoying substantial market shares. Considering the inherent challenges of seafood cultivation and the limited number of species available for harvesting in Central Western China and Northern China, apart from certain species such as sea tangles, sea cucumbers and abalones, the local players in these markets mainly source dried seafood and algae from Southern China through distributors or trading companies. Restricted by factors such as limited supply and high distribution costs, the sales volume of dried seafood and algae sold by enterprises based in Southern China directly to these customers in Central Western China and Northern China is relatively low. Therefore, dried seafood and algae enterprises based in Southern China with logistic capabilities would be able to sell directly to customers in the Central Western China and Northern China with a competitive advantage over other key players in Central Western China and Northern China (who normally source through distributors or trading companies which adds to their costs of products) in terms of pricing, product quality and supply capacity, mainly for the following reasons:

- price advantage: eliminating the need to deal through intermediaries (such as distributors or trading companies) these enterprises based in Southern China can achieve better cost efficiency as the chain of distribution is shorter and the logistic arrangement is more optimised;
- product quality: these enterprises based in Southern China with more direct control of their logistics arrangement can achieve better control on product quality; and
- supply capability: these enterprises based in Southern China are closer to the supply dynamics and can be more responsive to customers' demand in terms of supply quantities and product varieties in direct sales.

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The competition environment of our major products in Central Western China and Northern China is shown in the following:

Competition Area	Dried Seafood	Algae	Seafood Snacks
Beijing	Dried seafood, mainly dried cuttlefish, dried squid and dried small shrimps; major market brands include Minsong, Saiwengfu and Liang Shi Ji etc.	There are numerous brands of algae products, currently, the brands selling in the market mainly come from Shandong and Fujian; the major market brands include Ayibo, Wofan, 美味强, 樂惠, Takeda, 富昌 etc.	There are over 10 brands and some are imported. Brands currently selling in the market include Natural Is Best, Wofan, 半島小漁村, 北海道, Beiyang Food, 元臻, 君曉 and 海之鮮.
Hubei	There is small variety of dried seafood which mainly includes dried cuttlefish and dried squid; major brands selling in the market include Green King, Wofan and 小馬奔騰.	Algae products selling in the market are mainly represented by Ayibo, 億旺紫菜, Wofan, Green King, 輝業, Ronghua and Yikang.	There are many brands in the market. Brands that distribute their products through supermarket channels include: 半島小漁村, 北海道, Wofan, Beiyang Food, 元臻 and 天喔.
Sichuan	Dried seafood mainly include dried cuttlefish and dried squid with limited number of brands. The major brands include Minsong, 海龍將 and 思味.	There are many algae products. Major brands selling in the market include Ayibo, Minsong, Chuanzhen, 美味强 and 海龍將 and the market is at a stage of homogeneous competition.	There are many brands in the market. Major brands selling in the market include Natural Is Best, Beiyang Food, 惠宜, 口水族 and Baiweilin.
Chongqing	Dried seafood mainly include dried cuttlefish and dried squid. There are relatively few brands selling in the market which include Home Run, Minsong, Wofan, 海龍將 and 思味.	There are many algae products. Major brands in market include Ayibo, Minsong, Wofan, Chuanzhen, 新綠蒂 and 湯師傅.	There are many brands in the market. Brands or enterprises currently selling in the market include Home Run, Natural Is Best, Wofan, 百味林, 禦厨食品 and 果王食品.

Source: ASKCI; these competition areas are selected based on an overall consideration of certain key factors, including economic development, residents' income, population density and spending patterns on seafood products in these areas, in order to closely represent and cover the major locations in Central Western China and Northern China which we plan to expand into as set out in the section headed "Business — Business Strategies — Enhance our existing customer relationships in existing and new markets" in this prospectus.

INDUSTRY OVERVIEW

RAW MATERIALS

The major raw materials for our seafood products are raw seafood and processed seafood. The major raw materials for our algae products are raw and processed seaweed and sea tangle.

The price of raw sea tangle in 2014 decreased significantly as compared to 2013 which was resulted from the drastic increase of over 30% of sea tangle production in China in 2014 of which the sea tangle production in Shandong reached a growth rate of 126%. The domestic market was further impacted by imported sea tangle. With low market demand, oversupply of sea tangle in the market caused drastic decrease in its selling price and thus the plunge in price of raw sea tangle.

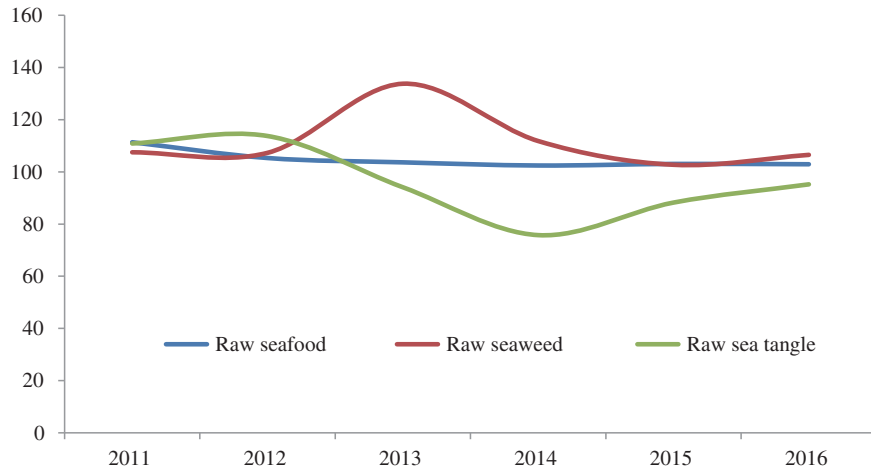
The price of raw seaweed in 2013 increased significantly as compared to 2012. In late 2013, Fujian Province suffered from strong typhoons and adverse weather conditions. Seaweed farmers were severely affected by such natural disaster and the output of the primary raw seaweed production area, Ningde, decreased 14%. Consequently, there was a shortfall in supply of seaweed in the market which caused the purchase price of raw seaweed increased sharply. Since 2014, the price increase of raw seaweed slowed down. The raw seafood price has been relatively stable during the same period.

The price of processed seafood and processed algae experienced fluctuation from 2013 to 2015. For illustrative purposes of the ASKCI Report, the price of the processed seafood and algae includes the overall price indices of dried fish, dried seaweed and dried sea tangle. The price of processed seafood and algae increased significantly in 2014 and such increase was mainly due to a decrease in the supply of dried seaweed caused by abnormal climate which in turn caused an increase in the price of dried seaweed whilst the price of dried fish and dried sea tangle remained relatively stable. Since 2014, there was a gradual increase in the supply of dried seaweed which caused a decrease in the price of the processed seafood and algae.

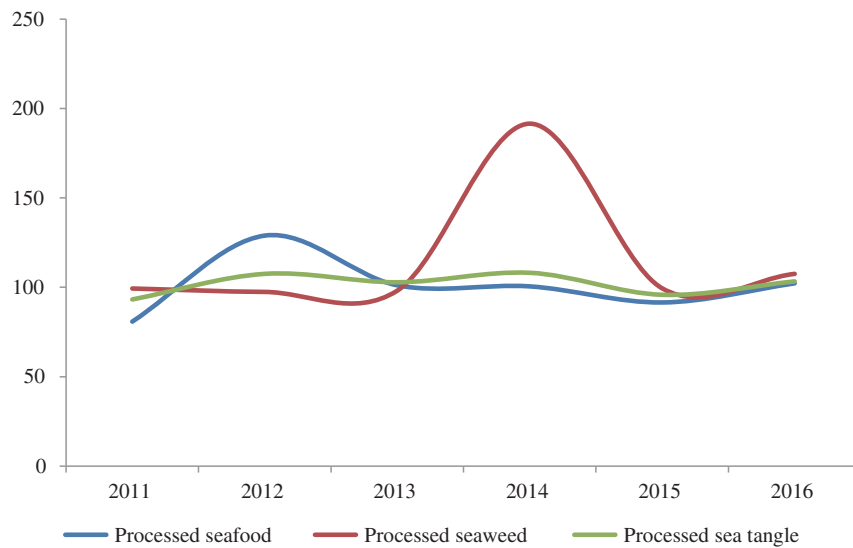
INDUSTRY OVERVIEW

The following tables show the price trends of (i) raw seafood; (ii) raw seaweed; (iii) raw sea tangle; and (iv) processed seafood and algae from 2011 to 2016.

Price Indices of Raw Materials in the PRC (Note 1)



Price Indices of Processed Materials in the PRC (Note 2)



Notes:

1. The price indices reflect the price fluctuations in the direct sales of the relevant raw materials.
2. Processed seafood and algae includes dried fishes, dried seaweed and dried sea tangle.

Source: National Bureau of Statistics of China, ASKCI

MAJOR MARKET DRIVERS, CHALLENGES AND ENTRY BARRIERS OF THE SEAFOOD AND ALGAE INDUSTRIES

Driving Factors that Cause the Growth of the Seafood and Algae Industries

Increasing Purchasing Power

The income of both rural and urban households have continued to grow rapidly, especially in the last decade, since China's economic reform and liberalisation. The per capita disposable income of urban households grew at a CAGR of approximately 9.0% from approximately RMB21,810 in 2011 to approximately RMB33,616 in 2016. With the increasing household income and improvement of social security system, consumer purchasing power has increased, which drove the market demand for seafood and algae.

Rising Consumers' Health Consciousness and the Increasing Perceived Nutritional Value of Seafood and Algae

In recent years, customers are increasingly focused on food safety and nutrition. Seafood has unique nutritional value, containing a variety of biologically active substances, including proteins, unsaturated fatty acid and trace elements. As such, it is increasingly perceived as an important component of a healthy diet. As a result of increases in consumer health consciousness and growing awareness of the nutritional value of seafood, there has been an increase in the number of ways to consume seafood, including seafood snacks and dried seafood. Increases in consumer health consciousness has also caused an increase in the market demand for seafood and algae.

Continuing Expansion of Consumption of Seafood and Algae into New Geographical Areas led by the Rise of e-commerce

Traditionally, seafood in China's western region has been relatively less popular. However, the convenience of online shopping and improvement of logistics systems have contributed to the popularisation of seafood in inland cities in China. In light of the rising health consciousness of consumers, seafood and algae are also becoming popular in inland cities in China due to their high protein and low fat content. The consumption of seafood and algae in China has thus gradually developed from a regional level to national level. According to the ASKCI Report, in 2016, there were more than 467 million online shoppers in China, and the online retail sales value increased to approximately RMB5,156 billion, representing an increase of over 26.2% comparing to the preceding year. In the coming years, there is still a lot of room for the development of e-commerce in second and third-tier cities, towns and villages in China.

INDUSTRY OVERVIEW

According to ASKCI, the amount of revenue generated from e-commerce sales for each type of seafood products in the PRC for the year 2016 is as follows:

<u>Products</u>	<u>Total Sales</u>	<u>E-commerce Sales</u>	<u>Percentage of E-commerce</u>
	(RMB billion)	(RMB billion)	(%)
Dried seafood	41.4	3.6	8.6%
Algae and fungi	35.0	2.6	7.5%
Seafood snack	15.9	1.6	10.2%
Frozen seafood	169.5	12.4	7.3%
Other products	64.0	4.2	6.5%
Total	<u>325.8</u>	<u>24.4</u>	7.5%

Source: ASKCI

Challenges Faced by the Seafood and Algae Industries

Stable Supply of Raw Materials

The availability of seafood raw materials depends on weather conditions and marine environment. Natural disasters (such as typhoons, heavy rain, extreme heat or cold weather) or contamination of sea water may affect the quantity, quality and price of seafood supply. Any fluctuations in the supply or pricing of quality seafood will affect supply, and thus the profitability of seafood and algae suppliers and other stakeholders involved.

Stricter Regulations on Production of Seafood and Algae

Since food safety has become a major concern for society, the PRC Government is likely to strengthen supervision of food companies through stricter regulations on production and quality control. Food companies may be required to commit more resources in their production processes to comply with these stricter requirements, which may lead to an increase in seafood and algae production costs in China.

Economic Cycle May Affect the Demand for Seafood and Algae

Although there has been an increasing demand for seafood and algae in China due to the perceived nutritional benefits of seafood and algae, seafood and algae are not a necessity in the Chinese traditional diet. Any economic downturns may affect the demand for seafood and algae.

Entry Barriers of the Seafood and Algae Industries

Need of a Reliable Supply of Raw Materials

The production of seafood and algae depends on a stable supply of raw materials. In order to ensure the quality of raw materials and to maintain stable production, market players in the seafood and algae market need to establish long-term, stable cooperation and/or relationships with their suppliers. Therefore, new entrants to the industry need to invest considerable time and effort to establish a reliable supply chain that can ensure a stable supply of raw materials.

INDUSTRY OVERVIEW

Stringent Regulatory Requirements on Food Quality and Safety

In light of increasing emphasis on food safety and consumer protection, the PRC Government has implemented a series of policies to regulate and control food quality and safety, with increased penalties for illegal manufacturers. Complying with quality and food safety standards within a short period of time may be difficult, as time is needed for new entrants to accumulate sufficient experience and obtain food quality recognition/certifications.

Difficulties in Establishing Market Recognition

Consumer requirements for seafood have increased as living standards have improved. Consumers now pay more attention to food safety, quality, taste and nutrition. In China's seafood industry, brand awareness and gaining recognition from customers are important for maintaining competitiveness. It is difficult for new entrants to build a brand with no or little publicity. In order to establish market recognition, new entrants need to invest heavily in marketing and spend considerable time and effort in building their brand.

Vast Investment Required for Establishing a Sales Network

The establishment of sales channels plays a key role in the development of food enterprises. Enterprises must establish a sales network with broad coverage in order to gain greater market share. However, leading enterprises in the seafood and algae industries have already built stable distribution channels and effective marketing strategies. Accordingly, vast investment in manpower and resources is required for building and maintaining a stable sales network and a sales team. The Company spent the following expenditure to establish a stable business network and a sales team during the Track Record Period:

	For the year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Salaries and employee benefits expenses for			
sales representatives and promoters	5,456	8,283	10,431
Advertising and promotion	502	998	1,007
	<u>5,958</u>	<u>9,281</u>	<u>11,438</u>

PRC REGULATORY OVERVIEW

A summary of the main PRC laws, rules and regulations applicable to our current business and operations is set out below.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

Policies Relating to Foreign Investment in Processing of Dried Aquatic Products

Guidance on foreign investment in different industries in the PRC can be found in the Foreign Investment Industrial Guidance Catalogue 《外商投資產業指導目錄》 (the “**Catalogue**”) jointly issued by the National Development and Reform Commission of the PRC (中華人民共和國國家發展與改革委員會) (“**NDRC**”) and MOFCOM and such Catalogue will be amended and re-promulgated from time to time by these two government authorities. Industries generally fall into four categories for the purposes of guiding foreign investment: the encouraged, permitted, restricted and prohibited categories. The Catalogue only lists out specific industries falling under the encouraged, restricted and prohibited categories and what is not listed there would fall into the permitted category. The current effective version of the Catalogue was issued on 10 March 2015 and became effective on 10 April 2015 (the “**2015 Catalogue**”). According to the 2015 Catalogue, aquatic products processing should belong to the encouraged category.

Laws and Regulations Relating to the Food Industry

Food Safety in General

The Food Safety Law of the PRC 《中華人民共和國食品安全法》 (the “**Food Safety Law**”), which was amended by the Standing Committee of the NPC on 24 April 2015 and became effective on 1 October 2015, and its implementation regulation 《中華人民共和國食品安全法實施條例》, which were promulgated by the State Council and became effective on 20 July 2009, adopt the measures and requirements in the following aspects to improve food safety and prevent large scale food safety accidents:

- Strengthening the role of local governments in the supervision and coordination of food safety regulation work
- Strengthening food safety risk monitoring and assessment; early intervention and quick control over food safety accidents
- Revising the standards for the use of food additives and strengthening regulations on the use of food additives
- Establishing a food recall system
- Abolishing food safety inspection exemption system
- Clarifying the fundamental principles in formulating food safety standards

PRC REGULATORY OVERVIEW

Food Production

According to the Food Safety Law, the state shall adopt a licensing system for food production and trade. Those intending to operate in the production or sale of food or the catering services shall legally obtain a permit.

According to the Measures for the Administration of Food Production Licences 《食品生產許可管理辦法》, which was amended by the China Food and Drug Administration (國家食品藥品監督管理總局) (“CFDA”) on 31 August 2015 and became effective on 1 October 2015, CFDA shall take charge of the supervision over and guidance to the nationwide food production licensing administration; and local food and drug regulatory authorities at and above the county level shall take charge of food production licensing within their respective administrative regions. Entities and/or individuals engaging in the production of food shall obtain a food production licence. Applicants applying for a food production licence shall meet various conditions set out in the Measures for the Administration of Food Production Licences. The licence is issued by food and drug administration at or above the county level and is valid for five years. The production permit obtained before the Measures for the Administration of Food Production Licences becoming effective shall still be valid during its period of validity.

Food Distribution Permit and Food Operation Permit

Pursuant to the Administrative Measures for Food Distribution Permits 《食品流通許可證管理辦法》, which was issued by the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) (“SAIC”) and became effective on 30 July 2009, whoever was engaged in the food circulation business operations shall obtain a food circulation permit according to relevant laws. The local industry and commerce administrative departments at and above the county level was the regulatory organ carrying out the food circulation licensing.

The Administrative Measures for Food Distribution Permits was abolished on 10 November 2015 by the SAIC.

According to the Measures for the Administration of Food Operation Licences 《食品經營許可管理辦法》, which was promulgated by CFDA on 31 August 2015 and became effective on 1 October 2015, entities and/or individuals engaging in the operation of food shall obtain a food operation licence. Applicants applying for a food operation licence shall meet various conditions set out in the Measures for the Administration of Food Operation Licences.

The licence is issued by food and drug administration at or above the county level and is valid for five years.

According to the Circular of the CFDA Regarding the Implementation of the Measures for the Administration of Food Operation Licences 《食品藥品監管總局關於貫徹實施〈食品經營許可管理辦法〉的通知》, which was promulgated by CFDA and became effective on 30 September 2015, food distribution permit obtained before the Measures for the Administration of Food Operation Licences becoming effective shall still be valid during its period of validity.

PRC REGULATORY OVERVIEW

Food Inspection

In accordance with the Food Safety Law, China has implemented an inspection system relating to food production and operation. The food and drug supervision and administration departments at and above the county level shall carry out food inspection by taking samples on a regular or irregular basis and may not exempt any food from inspection. An enterprise engaging in the production or operation of food may itself inspect the food it produces, or entrust a qualified food inspection institution to undertake with the inspection.

Food Recall System

The State has established a food recall system under the requirements of the Food Safety Law of the PRC.

Pursuant to the Provisions on the Administrative Measures for Food Recalls 《食品召回管理辦法》, which was promulgated by the CFDA on 11 March 2015 and became effective on 1 September 2015, food recall is categorised into three grades, namely grade one recall, grade two recall and grade three recall, based on the severity and urgency level of food safety hazards that have been or may be caused. Food will be recalled on two bases: voluntary recall or recall by order.

Laws on Product Quality

The Product Quality Law of the PRC 《中華人民共和國產品質量法》

Products that we manufacture are subject to the laws, rules and regulations in relation to the product quality in the PRC. The Product Quality Law of the PRC 《中華人民共和國產品質量法》 (the “**Product Quality Law**”), which was promulgated by the Standing Committee of the NPC on 22 February 1993, became effective on 1 September 1993 and amended on 27 August 2009, is the principal law governing the supervision and administration of product quality.

According to the Product Quality Law, manufacturers are liable for the quality of products they produce and sellers must take reasonable actions to ensure the quality of the products they sell.

A manufacturer shall be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by the defective product of the manufacturer unless the manufacturer is able to prove that:

- it has not circulated the product;
- the defect did not exist at the time when the product was circulated; or
- the state of scientific or technological knowledge at the time when the product was circulated was not such that it allowed the defect to be discovered.

The seller shall be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by the defective product it sold if such defect is attributable to the seller. A person who is harmed or whose property is damaged by the defective product may claim such loss against the manufacturer or the seller.

PRC REGULATORY OVERVIEW

The Agricultural Products Safety Law of the PRC 《中華人民共和國農產品質量安全法》

The Agricultural Products Safety Law of the PRC 《中華人民共和國農產品質量安全法》 (the “**Agricultural Products Safety Law**”), which was promulgated by the Standing Committee of the NPC on 29 April 2006 and became effective on 1 November 2006, governs the supervision and administration of the quality and safety of primary agricultural products, namely, plants, animals, micro-organisms and other products obtained in the course of agricultural activities. The Agricultural Products Safety Law regulates the agricultural products in the following aspects to ensure that they meet the requirements necessary to protect people’s health and safety, including:

- the quality and safety standards of agricultural products;
- the production places of agricultural products;
- the production of agricultural products; and
- the packaging and labelling of agricultural products.

According to the Agricultural Products Safety Law, producers of agricultural products shall reasonably use chemical products in order to avoid contaminating production places of agricultural products. The agricultural producers shall also ensure that the preservatives, additives and/or other chemicals used in the process of production, packaging, preservation, storage and transportation of agricultural products shall be in conformity with the relevant compulsory technical specifications set by the State.

Pursuant to Opinions of the Ministry of Agriculture and the CFDA on Strengthening Quality Safety Supervision and Management over Edible Agricultural Products 《農業部、食品藥品監管總局關於加強食用農產品質量安全監督管理工作的意見》， which were promulgated and became effective on 31 October 2014, edible agricultural products refer to primary products that come from agricultural activities, namely, plants, animals, microorganisms and other products obtained in the course of agricultural activities and for human consumption. “Agricultural activity” not only includes traditional agricultural activity, such as planting, breeding, picking, fishing, but also includes modern agricultural activity, such as facility agriculture, bioengineering, etc. “Plants, animals, microorganisms and other products” refer to products that directly obtained in the course of agricultural activities and processed products which have been through the process of sorting, peeling, husking, smashing, cleaning, incising, freezing, waxing, classifying, packing and without changes of natural traits and chemical property of these products.

Laws on Product Liabilities

Pursuant to the General Principles of the Civil Law of the PRC 《中華人民共和國民法通則》， which was promulgated by the National People’s Congress of the PRC on 12 April 1986, became effective on 1 January 1987 and was amended on 27 August 2009, and the Law on the Protection of Consumers’ Rights and Interests of the PRC 《中華人民共和國消費者權益保護法》， which was promulgated by the Standing Committee of the NPC on 31 October 1993, became effective on 1 January 1994 and was amended on 25 October 2013, both manufacturers and distributors shall be held jointly liable for the losses and damage suffered by consumers caused by the defective product they manufacture or distribute.

PRC REGULATORY OVERVIEW

The Tort Liability Law 《中華人民共和國侵權責任法》, which was promulgated by the Standing Committee of the NPC on 26 December 2009 and became effective on 1 July 2010, provides that where a product endangers personal life or property due to its defect, the manufacturers and the distributors shall bear the liability in tort.

LAWS AND REGULATIONS RELATING TO THE TAXATION

EIT

According to the Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法》 (the “**EIT Law**”), which was promulgated by the National People’s Congress of the PRC on 16 March 2007 and became effective on 1 January 2008, and the Implementation Rules to the EIT Law 《中華人民共和國企業所得稅法實施條例》 (the “**Implementation Rules**”), which was promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay EIT on its income deriving from both inside and outside China at the rate of EIT of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay EIT on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of EIT of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay EIT on its income deriving from inside China at the reduced rate of EIT of 10%.

VAT

Pursuant to the Provisional Regulations on Value-added Tax of the PRC 《中華人民共和國增值稅暫行條例》 (“**VAT Regulations**”), which was amended by the State Council on 5 November 2008 and became effective on 1 January 2009, and its implementation rules 《中華人民共和國增值稅暫行條例實施細則》, which were amended by the Ministry of Finance of the PRC (中華人民共和國財政部) on 28 October 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay VAT. Unless provided otherwise, the rate of the VAT is 17%. Self-produced agricultural products sold by agricultural producers shall be exempt from VAT.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

Under the Company Law of PRC 《中華人民共和國公司法》 which was amended by Standing Committee of the NPC on 28 December 2013, the Law of the PRC on Wholly Foreign-Owned Enterprises 《中華人民共和國外資企業法》, (the “**Wholly Foreign-Owned Enterprises Law**”) which was amended by the Standing Committee of the NPC on 3 September 2016, and the Law of the PRC on Sino-foreign Equity Joint Ventures 《中華人民共和國中外合資經營企業法》, which was amended by the Standing Committee of the NPC on 3 September 2016, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to the funds as required by PRC laws and regulations and have set off financial losses of previous accounting years.

PRC REGULATORY OVERVIEW

According to the EIT Law and the Implementation Rules, dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC Government provide otherwise.

The PRC Government and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income 《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》 (the “**Arrangement**”) on 21 August 2006. According to the Arrangement, the withholding tax rate on dividends paid by a PRC company to a Hong Kong resident is 5%, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and 10% if the Hong Kong resident holds less than 25% of the equity interests in the PRC company, respectively.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements 《國家稅務總局關於執行稅收協定股息條款有關問題的通知》, which was promulgated by SAT on 20 February 2009 and became effective on 20 February 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner’s equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements 《非居民納稅人享受稅收協定待遇管理辦法》 (the “**Administrative Measures**”), which was promulgated by SAT on 27 August 2015 and became effective on 1 November 2015, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC 《中華人民共和國環境保護法》 (the “**Environmental Protection Law**”), which was promulgated by the Standing Committee of the NPC, was amended on 24 April 2014 and became effective on 1 January 2015, establishes the legal framework for the environmental protection in the PRC. The environmental protection department of the State Council supervises and administers the environmental protection work in the PRC, and establishes national standards for the environmental quality and discharge of pollutants. Local environmental protection bureaus are in turn responsible for the environmental protection work within their respective jurisdictions.

PRC REGULATORY OVERVIEW

Prevention and Control of Pollutions

The Law of the PRC on Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》, which was amended by the Standing Committee of the NPC on 28 February 2008 and became effective on 1 June 2008, the Law of the PRC on Prevention and Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》, which was amended by the Standing Committee of the NPC on 29 August 2015 and became effective on 1 January 2016, and the Law of the PRC on Prevention and Control of Environmental Noise Pollution 《中華人民共和國環境噪聲污染防治法》, which was promulgated by the Standing Committee of the NPC on 29 October 1996 and became effective on 1 March 1997, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes 《中華人民共和國固體廢物污染環境防治法》, which was amended by the Standing Committee of the NPC on 24 April 2015, prescribe the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution.

Construction Project Environmental Protection

The Environmental Impact Appraisal Law 《中華人民共和國環境影響評價法》, which was promulgated by the Standing Committee of the NPC on 28 October 2002 and became effective on 1 September 2003, and amended by the Standing Committee of the NPC on 2 July 2016 and became effective on 1 September 2016, the Regulations on the Administration of Construction Project Environmental Protection 《建設項目環境保護管理條例》, which was promulgated by the State Council and became effective on 29 November 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects 《建設項目竣工環境保護驗收管理辦法》, which was promulgated by the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) (the “MEP”) on 27 December 2001 and was amended by Decision of the Ministry of Environmental Protection on Abolishing and Amending Some Regulations and Normative Documents of the Ministry of Environmental Protection 《環境保護部關於廢止、修改部分環保部門規章和規範性文件的決定》 by the MEP on 22 December 2010, require enterprises that planning construction projects to provide assessment reports, statement or registration form on the environmental impact of such projects. The assessment reports, statements or registration forms must be approved by the competent environmental protection authorities prior to commencement of any construction work. Enterprises shall file an application for examination and acceptance of the environmental protection facilities upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination.

LAWS AND REGULATIONS RELATING TO LABOUR

Employment Contracts

The Labour Contract Law, which was promulgated by the Standing Committee of the NPC on 29 June 2007 and became effective on 1 January 2008 and whose amendments made on 28 December 2012 and became effective on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labour Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

PRC REGULATORY OVERVIEW

Employee Social Insurance and Housing Provident Funds

Under applicable PRC laws and regulations, including the Social Insurance Law of The PRC 《中華人民共和國社會保險法》, which was promulgated by the Standing Committee of the NPC on 28 October 2010 and became effective on 1 July 2011, and the Regulations on the Administration of Housing Provident Fund 《住房公積金管理條例》, which was amended by the State Council on 24 March 2002, employers and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The Production Safety Law of the PRC 《中華人民共和國安全生產法》 (the “**Production Safety Law**”), which was promulgated by the Standing Committee of the NPC on 29 June 2002, became effective on 1 November 2002 and was amended on 31 August 2014, is the principal law governing the supervision and administration of production safety in the PRC. This law requires production entities to meet the relevant legal requirements, such as providing its staff with training and a handbook on production safety and providing safe working conditions in compliance with relevant laws, rules and regulations. Any production entities unable to provide the required safe working conditions may not engage in production activities. Violation of the Production Safety Law may result in the imposition of fines and penalties, the suspension of operations, an order to cease operations, or even criminal liability in severe cases.

LAWS AND REGULATIONS RELATING TO FOREIGN-INVESTED ENTERPRISES

According to the Wholly Foreign-Owned Enterprises Law, the approval items regarding to the establishment and change of a wholly foreign-owned enterprise, which provided by Article 6, Article 10 and Article 20, shall be subjected to the record-filing administrative measures as long as the wholly foreign-owned enterprise does not involve the implementation of special access management measures prescribed by the state.

The Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises 《外商投資企業設立及變更備案管理暫行辦法》 (the “**Record-filing Interim Administrative Measures**”) was promulgated by the MOFCOM and became effective on 8 October 2016. According to the Record-filing Interim Administrative Measures, the designated representatives or entrusted agents of a foreign-invested enterprise that should be put on record, in the case of the change matters provided in the Record-filing Interim Administrative Measures, shall fill in online and submit an Application for Record-filing of the Change of Foreign-invested Enterprises (外商投資企業變更備案申報表) and the relevant documents via the comprehensive administration system within 30 days upon the occurrence of the change to initiate the record-filing procedures.

PRC REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE REGISTRATION

Under applicable PRC laws and regulations, including Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-Trip Investments by Domestic Residents via 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 “**Circular 37**”), which was promulgated by SAFE and became effective on 4 July 2014, and Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies 《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》 (the “**Circular 13**”), which was promulgated by SAFE on 13 February 2015 and became effective on 1 June 2015, (i) SAFE and its branches carry out registration management for domestic residents’ establishment of Special Purpose Vehicle (“**SPV**”); (ii) the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment have been already directly reviewed and handled by banks in accordance with the Circular 13 and the Guidelines for Direct Investment-related Foreign Exchange Business 《直接投資外匯業務操作指引》, SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via banks; (iii) a domestic resident may choose at its own will, before contributing the domestic and overseas lawful assets or interests to a SPV, any bank at its place of incorporation to handle the direct investment-related foreign exchange registration, and may handle the follow-up business including opening of direct investment-related account and funds transfer (including the outward or inward remittance of profits and dividends) only upon completion of the direct investment-related foreign exchange registration; and (iv) when the overseas SPV’s basic information, such as domestic individual resident shareholder, name, operating period, or major events, such as domestic individual resident capital increase, capital reduction, share transfer or exchange, merger or division has changed, the foreign exchange change registration of overseas investments shall be timely finished in the relevant bank.

LAWS AND REGULATIONS RELATING TO MERGERS AND ACQUISITIONS BY FOREIGN INVESTORS

The Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》 (the “**M&A Provisions**”) was promulgated by MOFCOM, the State Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), SAT, SAIC, CSRC and SAFE on 8 August 2006, became effective on 8 September 2006 and amended on 22 June 2009 by MOFCOM. Under the M&A Provisions, the following scenarios qualify as an acquisition of a domestic enterprise by a foreign investor:

- a foreign investor purchases by agreement the equity interests of a domestic enterprise without foreign investment or subscribes for the increased capital of a domestic enterprise without foreign investment, and thus converts the domestic enterprise without foreign investment into a foreign-invested enterprise;
- a foreign investor establishes a foreign-invested enterprise and use such foreign-invested enterprise to purchase by agreement the assets of a domestic enterprise and operates such assets; or

PRC REGULATORY OVERVIEW

- a foreign investor purchases by agreement the assets of a domestic enterprise and then contributes such assets as capital to establishment of a foreign-invested enterprise and operates such assets.

LAWS AND REGULATIONS RELATING TO SECURITY REVIEW SYSTEM FOR MERGERS AND ACQUISITIONS OF DOMESTIC ENTERPRISES

Pursuant to the Circular of the General Office of the State Council on the Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors 《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》，which was promulgated on 3 February 2011 and became effective on 4 March 2011, and the Provisions of MOFCOM on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors 《商務部實施外國投資者併購境內企業安全審查制度的規定》，which was promulgated on 25 August 2011 and became effective on 1 September 2011, where foreign investors initiate mergers and acquisitions of domestic military industrial enterprises and supportive military industrial enterprises, enterprises surrounding major and sensitive military facilities, and other entities relating to the national defence security; mergers and acquisitions of domestic enterprises relating to important agricultural products, important energies and resources, important infrastructural facilities, important transportation services, key technologies, manufacturing of major equipment and other business related to the national security, which may result in the actual controlling power of foreign investors over those acquired domestic enterprises, the foreign investors shall apply to MOFCOM for the security review of the concerned mergers and acquisitions. Whether a foreign investor' mergers and acquisitions of a domestic enterprise falls under the scope of mergers and acquisitions security review or not shall be determined in terms of the substance and actual influence of the mergers and acquisitions transaction. No foreign investors may substantially evade mergers and acquisitions security review under any circumstances, including but not limited to by way of holding on behalf of others, trust, multi-level reinvestment, leasing, loans, variable interest entities, or overseas transactions.

INTELLECTUAL PROPERTY LAWS AND REGULATIONS

China has adopted legislations related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory party to major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Madrid Agreement on the International Registration of Marks and Madrid Protocol, the Patent Cooperation Treaty, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (“**TRIPS**”).

PRC REGULATORY OVERVIEW

Regulations on Patents

According to the Patent Law of the PRC 《中華人民共和國專利法》 promulgated on 12 March 1984 and amended on 4 September 1992, 25 August 2000 and 27 December 2008, with the last amendment effective on 1 October 2009, patent protection is divided into three categories, namely, invention patents, utility patents and design patents. Invention patents are valid for twenty years from the date of application, while design patents and utility patents are valid for ten years from the date of application. Once an invention patent, or an utility patent is granted, unless otherwise permitted by law, no individual or entities are permitted to engage in the manufacture, use, sale, or import of the product protected by such patent or otherwise engage in the manufacture, use, sale, or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder. The patent application system in China is different in many ways from that in other countries. The patent system in China uses the “first to file” principle, which means when more than one person files for a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty for an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China. Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan or Macau Special Administrative Region, each of which has an independent patent system. Although patent rights are national rights, the Patent Cooperation Treaty allows an applicant in one country to seek patent protection for an invention in multiple member countries at the same time by filing an international patent application. However, the fact that a patent application is pending is not a guarantee that a patent will be granted. Furthermore, even if a patent application is granted, the scope of a patent may not be as broad as the applicant requested in the initial application.

Regulations on Trademarks

The Trademark Law of the PRC 《中華人民共和國商標法》 (the “**Trademark Law**”) was promulgated in August 1982 (and amended on 22 February 1993, 27 October 2001 and 30 August 2013, respectively, and the Implementation Regulations on the Trademark Law of the PRC 《中華人民共和國商標法實施條例》 were promulgated on 3 August 2002 by the State Council and were amended on 29 April 2014. These laws and regulations provide the basic legal framework for the regulations of trademarks in China. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks. The Trademark Office under the State Administration for Industry and Commerce is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted on a term of ten years. Twelve months prior to the expiration of the ten-year term, an applicant can renew the application and reapply for trademark protection.

Under the Trademark Law, any of the following acts may be regarded as an infringement of the exclusive right to use of a registered trademark:

- use of a trademark that is identical with or similar to a registered trademark on the same or similar kind of commodities without the authorisation of the trademark registrant;
- sale of commodities infringing upon the exclusive right to use the registered trademark;

PRC REGULATORY OVERVIEW

- counterfeiting or making, without authorisation, representations of a registered trademark, or sale of such representation of a registered trademark;
- replacing the trademark and reselling the products without the consent of the registrant of the replaced trademark;
- providing conveniences to help others to infringe the exclusive rights to use the registered trademark on purpose; and
- creating other damages to others' exclusive rights to use the registered trademarks.

Violation of the Trademark Law may result in the imposition of fines, confiscation and destruction of the infringing commodities. Trademark licensing agreements must be filed with the Trademark Office under the State Administration for Industry and Commerce or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Regulations on Domain Names

The Measures for the Administration of Domain Names for the Chinese Internet 《中國互聯網絡域名管理辦法》 were promulgated by the Ministry of Information Industry on 5 November 2004 and became effective on 20 December 2004. These measures regulate the registration of domain names in Chinese with the Internet country code of “.cn”. The Measures on Domain Names Dispute Resolution 《中國互聯網絡信息中心域名爭議解決辦法》 were promulgated by the Chinese Internet Network Infrastructure Centre and became effective on 28 June 2012. These measures require domain name disputes to be submitted to institutions authorised by the Chinese Internet Network Information Centre for resolution.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our Company was incorporated in the Cayman Islands on 8 January 2016 and became the holding company of our subsidiaries as part of the Reorganisation. Our Group commenced the business of sourcing, processing, packaging and selling seafood in July 2005 when our founder Mr. Liu established Xiamen Wofan with his own resources. For further details about Mr. Liu, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

OUR HISTORY AND BUSINESS MILESTONES

The history of our Group can be traced back to 2005 when Xiamen Wofan was in a start-up phase surveying long term development and market opportunities available in the dried seafood production business in the PRC. Leveraging on Mr. Liu’s extensive experience in the seafood industry, Xiamen Wofan began its dried seafood production business by (i) adopting a multi-dimensional business strategy to test out the potential of a number of product categories, including dried, fresh and frozen seafood products as well as grains and cereals; and (ii) identifying well-known supermarkets as our key target customers and strategic partners because of their nationwide presence and high order volume. By 2009, we have established a blueprint of our sale network with Wal-mart (China) Investment Co., Ltd (沃爾瑪(中國)投資有限公司) (“**Walmart**”), China Resources Vanguard Co., Ltd. (華潤萬家有限公司) (“**CR Vanguard**”) and Renrenle Commercial Group Co., Ltd (人人樂連鎖商業集團股份有限公司) (“**Renrenle**”) as our key supermarket customers. By 2010, we reached a significant business milestone of RMB50 million in revenue but continued incurred net losses due to the expenses incurred during this initial market exploration stage.

After having established a sale network with the key supermarket customers, we embarked on the next stage of our development focusing on developing a comprehensive market-driven product positioning strategy with a view to further improving our sales and profitability. Firstly, in addition to dried seafood and frozen seafood, we identified algae and fungi and seafood snacks as our new major strategic product categories in view of the trend of rising consumers’ health consciousness and based on customers’ feedback. Secondly, with a view to strengthening our brand and product recognition in the market, we carried out a series of advertising and promotion activities throughout 2010 to 2012, which included television commercials and distribution of promotion booklets to consumers. Please refer to the section headed “Business — Sales and Promotion” in this prospectus for further details. Thirdly, based on customers’ feedback that product quality is a key factor in determining their purchase, we strengthened our quality control management and system with a view to further improving our product quality throughout the whole production chain, including securing better and more stable supply and quality of raw materials by entering into long-term supply agreements with our fishermen suppliers and gaining quality standard certifications for a number of our products as set out in the table below. These early stage initiatives between 2005 to 2012 have enabled us to build up our key competitive strengths as set out in the section “Business — Our Competitive Strengths” and lay out a blueprint of successful business model. By the end of 2012, we grew our customer base to 79 and became profitable.

HISTORY, DEVELOPMENT AND REORGANISATION

The following events are the key business and corporate development milestones of our Group:

<u>Year</u>	<u>Event</u>
2005	Xiamen Wofan was established and dried seafood production initiated. Walmart became our supermarket customer.
2007	Our sales revenue exceeded RMB30 million.
2008	CR Vanguard became our supermarket customer.
2009	Renrenle became our supermarket customer.
2010	Meiyijia Convenient Store Co., Ltd (美宜佳便利店有限公司) became our customer. Rainbow Department Store Co., Ltd. (天虹商場股份有限公司) became our customer. Our sales revenue reached approximately RMB50 million.
2011	We obtained the Quality Standards Certification for the category of dried seafood products for the first time. We established long-term supply agreements with 30 fishermen suppliers and obtained the rights of sea area use for seaweed cultivation, which were then leased to three algae farmers for seaweed production. These three algae farmers served as a stable supply of algae for our production. Wumart Stores, Inc. (北京物美商業集團股份有限公司) became our customer.
2012	Our number of sales representatives and promoters had increased to 127. Xiamen Wofan was awarded “the Most Cost-effective Specialty Souvenir in Taiwan and Fujian in 2012” (2012年閩台特色伴手禮最具性價比獎) by Xiamen Municipal Bureau of Commerce, Xiamen Municipal Bureau of Tourism, Xiamen Municipal Bureau of Quality Supervision and Xiamen Daily. Xiamen Wofan was awarded “the Best Supplier of Fresh Food in 2012” (2012年度鮮食部最佳供應商) by one of our top ten customers.

HISTORY, DEVELOPMENT AND REORGANISATION

<u>Year</u>	<u>Event</u>
2013	<p>Xiamen Wofan was awarded “Integrity Unit 2012” (2012年度誠信單位) by Xiamen Huli District Consumer Protection committee.</p> <p>Xiamen Wofan was awarded “the Growth Small and Medium Enterprise in Xiamen in 2013-2014” (2013-2014年度廈門市成長型中小企業) by Xiamen City Economic Development Bureau, Xiamen City Office of Small and Medium Enterprises.</p> <p>Our sales revenue exceeded RMB100 million.</p>
2014	<p>Fujian Wofan was established.</p> <p>We obtained the Quality Standards Certification for processed fungi and processed fish products.</p>
2015	<p>Fujian Wofan was awarded “Xiamen Most Growth Small, Medium and Micro Enterprises in 2015-2016” (2015-2016年度廈門市最具成長性中小微企業) by Xiamen City Economic Development Bureau, Xiamen City Office of Small and Medium Enterprises.</p> <p>We entered into a framework agreement with Jimei University to establish a joint development centre to further the development of seafood snacks.</p> <p>Our sales revenue exceeded RMB300 million.</p>
2016	<p>Yong Hui Superstores Co., Ltd. (永輝超市股份有限公司) became our customer.</p>

OUR CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands with limited liability on 8 January 2016 as an investment holding company. During the Track Record Period, Xiamen Wofan and Fujian Wofan were the operating subsidiaries for our Group’s business. Xiamen Wofan is principally engaged in sourcing, processing, packaging and selling dried seafood and frozen seafood, whereas Fujian Wofan is principally engaged in sale of algae.

HISTORY, DEVELOPMENT AND REORGANISATION

Our Operating Subsidiaries

1) *Xiamen Wofan*

Xiamen Wofan (previously known as Xiamen Wofan Industrial and Trading Company Limited (廈門沃豐工貿有限公司)) was established in the PRC and commenced business on 1 July 2005 with a registered capital of RMB1,080,000. As at the date of its establishment, the registered owners of Xiamen Wofan were Mr. Liu and Liu Rongfeng as to 60% and 40% respectively. Liu Rongfeng is a brother of Mr. Liu and an employee of our Group. Since incorporation, Liu Rongfeng held the equity interest in Xiamen Wofan for and on behalf of Mr. Liu pursuant to an equity entrustment agreement (股權代持協議) dated 29 June 2005 and its subsequent supplemental agreements, as the minimum number of owners of a PRC limited company was two at the time of establishment of Xiamen Wofan.

On 2 February 2007, Mr. Liu, Liu Rongfeng, Zheng Congbi (鄭聰筆), Liu Tianping and Lin Yumei (林玉妹) contributed RMB6,000, RMB4,000, RMB436,000, RMB218,000 and RMB436,000 respectively to the registered capital of Xiamen Wofan. The capital contribution made by Liu Rongfeng was contributed by Mr. Liu. After the said capital contributions, the registered owners of Xiamen Wofan were Mr. Liu, Liu Rongfeng, Zheng Congbi, Liu Tianping and Lin Yumei as to 30%, 20%, 20%, 10% and 20% respectively, whereas Liu Rongfeng held the equity interest in Xiamen Wofan for Mr. Liu. To the best knowledge of our Directors, each of Zheng Congbi, Liu Tianping and Lin Yumei is an Independent Third Party.

On 20 May 2010, Zheng Congbi and Liu Rongfeng entered into an equity transfer agreement pursuant to which Zheng Congbi transferred 20% equity interest in Xiamen Wofan to Liu Rongfeng at the consideration of RMB436,000, which was determined with reference to the registered capital contributed by Zheng Congbi and settled by Mr. Liu. Such equity interest acquired by Liu Rongfeng was held for Mr. Liu. On the same date, Lin Yumei and Mr. Liu entered into an equity transfer agreement pursuant to which Lin Yumei transferred 20% equity interest in Xiamen Wofan to Mr. Liu at the consideration of RMB436,000, which was determined with reference to the registered capital contributed by Lin Yumei. Upon the completion of the said transfers, the registered owners of Xiamen Wofan were Mr. Liu, Liu Rongfeng and Liu Tianping as to 50%, 40% and 10% respectively, whereas Liu Rongfeng held the equity interest in Xiamen Wofan for Mr. Liu.

On 31 March 2011, the name of Xiamen Wofan was changed from Xiamen Wofan Industrial and Trading Company Limited (廈門沃豐工貿有限公司) to Xiamen Wofan.

On 11 April 2012, Mr. Liu, Liu Rongfeng and Liu Tianping contributed an additional of RMB1,810,000, RMB1,448,000 and RMB362,000 respectively to the registered capital of Xiamen Wofan. The capital contribution made by Liu Rongfeng was contributed by Mr. Liu. After the said capital contribution, the registered owners of Xiamen Wofan were Mr. Liu, Liu Rongfeng and Liu Tianping as to 50%, 40% and 10% respectively, whereas Liu Rongfeng held the equity interest in Xiamen Wofan for Mr. Liu.

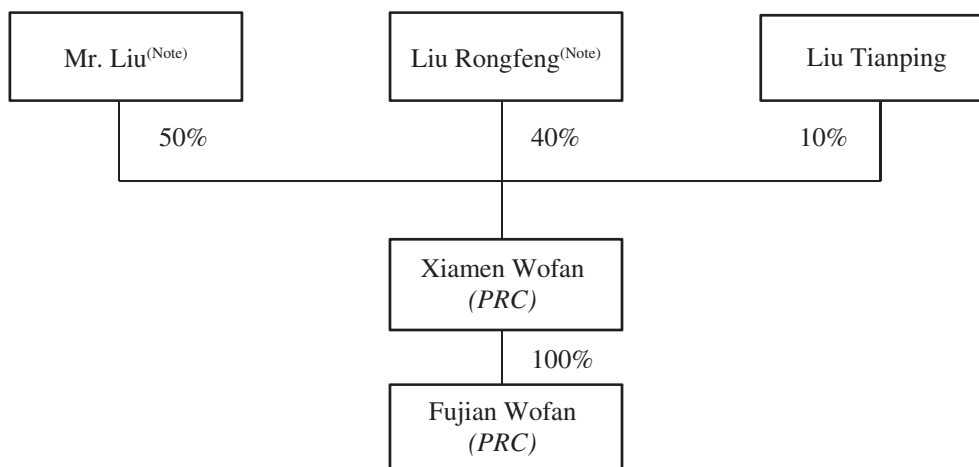
2) *Fujian Wofan*

Fujian Wofan was established in the PRC and commenced business on 4 November 2014 with a registered capital of RMB10,000,000. Since the date of its establishment, Fujian Wofan was wholly owned by Xiamen Wofan.

HISTORY, DEVELOPMENT AND REORGANISATION

GROUP STRUCTURE PRIOR TO REORGANISATION

The shareholding and corporate structure of our Group immediately prior to the Reorganisation is set out in the chart below:



Note: Liu Rongfeng held the equity interest in Xiamen Wofan for and on behalf of Mr. Liu pursuant to an equity entrustment agreement (股權代持協議) dated 29 June 2005 and its subsequent supplemental agreements.

PRE-IPO INVESTMENTS

First Pre-IPO Investment

On 10 February 2015, Mr. Liu and Jiranek Investments entered into an equity transfer agreement, pursuant to which Mr. Liu transferred 10% equity interest in Xiamen Wofan to Jiranek Investments at a consideration of RMB580,000. The consideration was based primarily on the then appraised value of Xiamen Wofan at approximately RMB5.9 million (the “**Appraised Value**”), as published in a valuation report dated 15 December 2014 prepared by Xiamen Shenmao Assets Appraisal Company Limited (廈門深茂資產評估有限公司) (the “**Valuer**”), a qualified professional independent valuer. The Company understands from the Valuer and Mr. Liu that cost method was adopted because of the technical factors involved in using other valuation methodologies in the circumstances, in particular, (i) uncertainty in the future financial performance of Xiamen Wofan limited the accuracy of using income method; and (ii) a lack of market comparable transactions similar to the First Pre-IPO Investment limited the use of market method. The Appraised Value was determined using cost method with reference to the net assets value as at 30 June 2014 of approximately RMB25.9 million, less a dividend distribution proposed in the amount of RMB20.0 million by Xiamen Wofan to the then existing shareholders in June 2014. The decision for distribution of RMB20.0 million by Xiamen Wofan was made having considered the amount of profits accumulated up to June 2014, at times when Mr. Liu and Mr. Liu Tianping were the beneficial shareholders of Xiamen Wofan. Such decision was made in or around June 2014 in anticipation of the Pre-IPO Investments. This is consistent with the Pre-IPO Investors’ understanding that they should not benefit from the profits accumulated before June 2014. Xiamen Wofan contemplated that its working capital needs would be funded by cash flows generated from its operations and other sources of funding including bank borrowings.

Mr. Liu sold 10% equity interest in Xiamen Wofan to Jiranek Investments at RMB580,000, which represented a slight discount of the Appraised Value compiled using cost method having considered mainly the strategic benefits that Jiranek Investments, acting through its sole shareholder Mr. Sun, could potentially bring to us given Mr. Sun’s prior experience gained from the successful listing of another company on the Stock Exchange. These strategic benefits include (i) the search of suitably qualified candidates for independent non-executive directors for the Group; (ii) the line-up and approach of a number of the professional parties involved in the Listing; and (iii) advising Mr. Liu on the long term capital markets and growth opportunities benefits that a Hong Kong listing could bring to the Company.

HISTORY, DEVELOPMENT AND REORGANISATION

Given the strategic benefits that Mr. Sun could potentially contribute to the Group, Mr. Liu and Mr. Sun agreed to a consideration amount based on the cost method despite (i) the asset-light nature of Xiamen Wofan; (ii) its growing profitability as demonstrated by the above-mentioned dividend proposed in the year before; and (iii) the sign of Xiamen Wofan's sustainable expansion in revenue and profits (as exhibited in the 2014 financials where the Group had RMB204.8 million in revenue and RMB26.5 million in net profits). Mr. Sun and Mr. Liu, when determining the terms of the transaction, had also considered the inherent exit risk of the investment as our proposed Listing may not be materialised despite the fact that Xiamen Wofan was experiencing a trend of growing profitability. Mr. Liu, as the controlling shareholder of Xiamen Wofan, took the lead to negotiate and conclude the First Pre-IPO Investment for Xiamen Wofan. For the reasons elaborated in the section head "Future Plans and Use of Proceeds — Reasons for Listing and Global Offering", Mr. Liu considered the Listing to be of critical significance to the Group's long term development. Therefore, Mr. Liu attached more significance to the strategic benefits and listing experience that Mr. Sun could bring to the Group than the valuation of the Group translated from the First Pre-IPO Investment.

While there may be other valuation methodologies (such as the market method and the income method) that may be more reflective of Xiamen Wofan's enterprise value as its business had already exhibited signs of sustainable growth in revenue and profits at that stage, the choice of using cost method valuation did not contravene any requirements under the M&A Rules. As advised by our PRC Legal Advisers, because the First Pre-IPO Investment involved an acquisition of Xiamen Wofan by a foreign investor, the consideration of the First Pre-IPO Investment must be determined in accordance with the requirement of the M&A Rules, which requires the transaction amount to be set based on the valuation from an asset valuer with regard to the equity value of the assets to be transferred. Pursuant to such statutory requirement, the parties commissioned the Valuer to conduct an asset valuation for Xiamen Wofan. The asset valuation report and the equity transfer agreement for the First Pre-IPO Investment were submitted to Xiamen Municipal Bureau of Commerce (廈門市商務局), the competent approval authority for approval. Xiamen Municipal Bureau of Commerce (廈門市商務局) did not dispute or query the adoption of cost method for valuation of Xiamen Wofan. Mr. Liu and Mr. Sun confirmed that the amount of consideration and the terms for the First Pre-IPO Investment were negotiated between Mr. Liu and Mr. Sun on arm's length basis and were considered by the parties to be fair and reasonable.

We confirm that other than those disclosed in the prospectus, there is no other reason that resulted in the favourable consideration for the First Pre-IPO Investment. Each of Mr. Liu and Mr. Sun (for himself and on behalf of Jiranek Investments), confirms that other than those disclosed in the prospectus, there is no other reason that resulted in the favourable consideration for the First Pre-IPO Investment. Following the review of relevant information provided by the Company and due enquiries with the parties involved, the Sole Sponsor confirms that there is no other reason that had contributed to the favourable consideration that was paid under the First Pre-IPO Investment by Jiranek Investments.

Mr. Sun, for himself and on behalf of Jiranek Investments, confirmed that, during the Track Record Period and up to the Latest Practicable Date, he and his controlled entities (i) were not engaged in any material litigation; (ii) were not involved in any material non-compliance; (iii) had no involvement in and had not carried on any other business, which competes or is likely to compete, directly or indirectly, with our business; and (iv) had not been involved in any transactions with us, except for (a) the First Pre-IPO Investment; (b) the initial subscription of 10 Shares in our Company as detailed in the paragraph headed "Reorganisation — (1) Incorporation of our Company" in this section; and (c) the provision of the shareholders' loan of HK\$2,280,736 and the subsequent capitalisation of such loan as detailed in the paragraph headed "Reorganisation — (5) Capitalisation of Shareholders' Loan" in this section. None of our Pre-IPO Investors are involved in any part of our business operations. We believe we are capable of carrying out our business independently from Mr. Sun and his close associates upon or after the Listing especially given that Mr. Sun and his close associates do not participate in and are not otherwise involved in the business operations of the Group.

HISTORY, DEVELOPMENT AND REORGANISATION

Following such equity interest transfer, Xiamen Wofan became a Sino-foreign equity joint venture owned by Mr. Liu, Liu Rongfeng, Liu Tianping and Jiranek Investments as to 40%, 40%, 10% and 10% respectively. After the completion of such transfer, Mr. Sun (through Jiranek Investments) had provided us with shareholder's loans of HK\$2,280,736 to meet our financial needs, which are to be capitalised. Further details are set out in the paragraph headed "Reorganisation — (5) Capitalisation of Shareholders' Loan" below.

Jiranek Investments is an investment holding company wholly owned by Mr. Sun. As advised by Mr. Liu, Mr. Liu and Mr. Sun are originated from the same city in the PRC, Quanzhou; they knew each other in a corporate training activity in 2007 and since then they began regular communications. Other than the investment in our Group and its nomination of a director of Xiamen Wofan, namely Ji Yubing, for the period from 10 February 2015 to 29 March 2016, each of Jiranek Investments and Mr. Sun is a party independent of our Company and its connected persons. Mr. Sun is a director of China Packaging Holdings Development Limited ("**China Packaging**"), a company which is listed on the main board of the Stock Exchange (stock code: 1439) and principally engaged in the design, manufacture, printing and sale of paper-based packaging products. Mr. Sun, aged 45, established the business of China Packaging in 2006 and has been heading China Packaging since its incorporation. Mr. Sun completed a postgraduate economics course at Jiangxi University of Finance and Economics (江西財經大學) in July 2005 and graduated from the Central Communist Party School Correspondence Institute (中共中央黨校函授學院) in December 2006, majoring in economic management. Mr. Sun completed the 2006 Chief Executive Course at Xiamen University School of Management in August 2007 and the GEM Financing and Private Fund Executive Course at Fudan University in April 2009.

Second Pre-IPO Investment

Further, on 21 September 2015, at the request of Mr. Liu, Liu Rongfeng entered into equity transfer agreement with Mr. Liu, Xiamen Shengtianji and Xiamen Shengying, pursuant to which Liu Rongfeng transferred 30%, 5% and 5% equity interest in Xiamen Wofan which Liu Rongfeng held for Mr. Liu to Mr. Liu, Xiamen Shengtianji and Xiamen Shengying respectively at the consideration of RMB1,740,000, RMB290,000 and RMB290,000, respectively. The consideration in the amount of RMB1,740,000 was required to be repaid to Mr. Liu pursuant to an equity entrustment agreement (股權代持協議) dated 29 June 2005 entered between Mr. Liu and Mr. Liu Rongfeng. The consideration was based on the then registered capital of Xiamen Wofan and with reference to the consideration of the First Pre-IPO Investment. Such consideration was ultimately paid to Mr. Liu given that Liu Rongfeng had held the shares on behalf of Mr. Liu. Upon the completion of such equity interest transfers, Xiamen Wofan became owned by Mr. Liu, Liu Tianping, Jiranek Investments, Xiamen Shengtianji and Xiamen Shengying as to 70%, 10%, 10%, 5% and 5% respectively.

Xiamen Shengtianji is an investment holding company wholly owned by Ms. Lin, whereas Xiamen Shengying is an investment holding company wholly owned by Ms. Zhang. As advised by Mr. Liu, Mr. Liu and Ms. Lin's father were members of the Xiamen Association of Industry and Commerce since 2005 and have been made acquaintance with each other since then. Ms. Lin made the investment in the Company through the relationship between her father and Mr. Liu. Mr. Liu and Ms. Zhang's father have known each other since 1996 through business connection. Ms. Zhang made the investment in the Company through the relationship between her father and Mr. Liu. Each of Xiamen Shengtianji, Xiamen Shengying and their respective beneficial owners is a party independent of our Company and its connected persons. Ms. Lin, aged 29, graduated from Fuzhou Science and Technology College (福州科技職業技術學院) with a diploma on financial accounting. Ms. Lin worked for Peter Point (Xiamen) Import & Export Co., Ltd. (彼得蓬然(廈門)進出口有限公司) as an accountant since 2010. Lin's family is now engaging in plantation business in the PRC. Ms. Zhang, aged 31, graduated from Longyan Longxiang Technical School (龍岩龍翔技術學校) with a diploma on business secretarial studies. Since graduated, Ms. Zhang worked in various enterprises as administration assistant. Ms. Zhang is now engaging in trading business in the PRC and Australia.

HISTORY, DEVELOPMENT AND REORGANISATION

As advised by our PRC Legal Advisers, the transactions contemplated under Second Pre-IPO Investment were not subject to asset valuation requirements under the Provisions for the Alteration of Investors' Equities in Foreign-funded Enterprises 《外商投資企業投資者股權變更的若干規定》; and the equity transfer agreements for the Second Pre-IPO Investment were also submitted to and approved by Xiamen Municipal Bureau of Commerce (廈門市商務局), the competent provincial level foreign investment authority having the relevant power for approval and who duly approved such agreements. As confirmed by Mr. Liu, Ms. Lin and Ms. Zhang, they did not engage in protracted, in-depth and vigorous business negotiations on the terms of the transactions including the consideration involved, which did not reflect the Group's growth in revenue and profits achieved prior to the transactions. Despite the lack of immediate strategic benefits that Ms. Lin and Ms. Zhang may contribute to the Group and the Group's continuing growth trend demonstrated from its financial performance prior to the Second Pre-IPO Investment, the consideration for the Second Pre-IPO Investment was the same as that of the First Pre-IPO Investment. Mr. Liu confirms that while the terms were highly favourable to Ms. Lin and Ms. Zhang, considering the personal relationship that Mr. Liu had with the respective father of Ms. Lin and Ms. Zhang, he did not think that such agreement was inappropriate. In view of the above, the parties in the Second Pre-IPO Investment considered the consideration to be fair and reasonable at the material time, and thus Mr. Liu was willing to sell his relevant equity on such terms. The amount of consideration and the terms for the Second Pre-IPO Investment were negotiated between Mr. Liu and each of Ms. Lin and Ms. Zhang on arm's length basis and were considered by the parties to be fair and reasonable.

We confirm that other than those disclosed in the prospectus, there is no other reason that resulted in the favourable consideration for the Second Pre-IPO Investment. Mr. Liu and each of Ms. Lin (for herself and on behalf of Scenic Gift) and Ms. Zhang (for herself and on behalf of Skillful Sphere), confirm that other than those disclosed in the prospectus, there is no other reason that resulted in the favourable consideration for the Second Pre-IPO Investment. Following the review of relevant information provided by the Company and due enquiries with the parties involved, the Sole Sponsor confirms that there is no other reason that had contributed to the favourable consideration that was paid under the Second Pre-IPO Investment by Xiamen Shengtianji and Xiamen Shengying respectively.

Each of Ms. Lin (for herself and on behalf of Scenic Gift) and Ms. Zhang (for herself and on behalf of Skillful Sphere), confirmed that, during the Track Record Period and up to the Latest Practicable Date, she and her controlled entities (i) were not engaged in any material litigation; (ii) were not involved in any material non-compliance; (iii) had no involvement in and had not carried on any other business, which competes or is likely to compete, directly or indirectly, with our business; and (iv) had not involved in any transactions with us, except for (a) the Second Pre-IPO Investment; (b) the initial subscription of 5 Shares in our Company by each of these pre-IPO investors as detailed in the paragraph headed "Reorganisation — (1) Incorporation of our Company" in this section; and (c) the provision of the shareholders' loan of HK\$1,140,368 by each of these pre-IPO investors and the subsequent capitalisation of such loan as detailed in the paragraph headed "Reorganisation — (5) Capitalisation of Shareholders' Loan" in this section. None of our Pre-IPO Investors are involved in any part of our business operations. We believe we are capable of carrying out our business independently from Ms. Lin and Ms. Zhang and their respective close associates upon or after the Listing especially given that Ms. Lin and Ms. Zhang and their respective close associates do not participate in and are not otherwise involved in the business operations of the Group.

After the completion of such investments, Ms. Lin (through Scenic Gift) and Ms. Zhang (through Skillful Sphere) had provided us with the shareholders' loans of HK\$1,140,368 and HK\$1,140,368, respectively, to meet our financial needs. The loans are expected to be capitalised, details of which are set out in the paragraph headed "Reorganisation — (5) Capitalisation of Shareholders' Loan" below.

HISTORY, DEVELOPMENT AND REORGANISATION

Set out below is a summary of the details for the pre-IPO investments mentioned above:

Name of investors . . .	JiraneK Investments	Xiamen Shengtianji (Note 4)	Xiamen Shengying (Note 5)
Type of investments . .	Acquisition of 10% equity interest in Xiamen Wofan from Mr. Liu and upon the completion of the Reorganisation, it was interested in 10% of the issued share capital of our Company.	Acquisition of 5% equity interest in Xiamen Wofan from Liu Rongfeng and upon the completion of the Reorganisation, it was interested in 5% of the issued share capital of our Company.	Acquisition of 5% equity interest in Xiamen Wofan from Liu Rongfeng and upon the completion of the Reorganisation, it was interested in 5% of the issued share capital of our Company.
Date of investments (i.e. date of transfer of the relevant equity interests in Xiamen Wofan to the investors).	21 April 2015	14 October 2015	14 October 2015
Amount of consideration paid .	RMB580,000	RMB290,000	RMB290,000
Settlement date of the consideration . .	15 March 2016	8 January 2016	8 January 2016
Basis of determination of the consideration . .	The appraised value of Xiamen Wofan issued on 15 December 2014	The registered capital of Xiamen Wofan being RMB5.8 million as at the date of the Second Pre-IPO Investment and the consideration of the First Pre-IPO Investment	The registered capital of Xiamen Wofan being RMB5.8 million as at the date of the Second Pre-IPO Investment and the consideration of the First Pre-IPO Investment
Number of Shares held immediately after the Capitalisation Issue and the Global Offering . . .	75,000,000	37,500,000	37,500,000
Effective acquisition cost per Share (Note 1)	RMB0.008	RMB0.008	RMB0.008
Discount to mid-point of offer price range (Note 2)	98.76%	98.76%	98.76%

HISTORY, DEVELOPMENT AND REORGANISATION

Use of proceeds	No proceeds to our Group	No proceeds to our Group	No proceeds to our Group
Strategic benefits brought to our Group	Mr. Sun provides advice to our Group from time to time, in particular in relation to our Group's application for the Listing.	Nil	Nil
Shareholding upon Listing (Note 3)	7.5%	3.75%	3.75%
Special rights	Right to nominate one director to the board of directors of Xiamen Wofan. Such right has been discontinued upon the amendment of the articles of association of Xiamen Wofan after the acquisition of Xiamen Wofan by New Lead during the Reorganisation.	Nil	Nil
Lock up and public float	The Shares held are subject to lock-up for 12 months from Listing Date and are regarded as part of the public float as this investor will not become a substantial shareholder of our Company upon Listing.	The Shares held are subject to lock-up for 12 months from Listing Date and are regarded as part of the public float as this investor will not become a substantial shareholder of our Company upon Listing.	The Shares held are subject to lock-up for 12 months from Listing Date and are regarded as part of the public float as this investor will not become a substantial shareholder of our Company upon Listing.

Notes:

1. This row is prepared for illustration purpose only assuming that the Global Offering and the Capitalisation Issue is completed, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options which have been or may be granted under the Share Option Scheme.
2. This row is prepared for illustration purpose only assuming that the Offer Price is HK\$0.715 per Offer Share (being the mid-point of the Offer Price range between HK\$0.59 and HK\$0.84 per Offer Share) and the exchange rate of HK\$1.00 to RMB0.8742 is adopted.
3. This row is prepared without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options which have been or may be granted under the Share Option Scheme.
4. During the Reorganisation, Ms. Lin took up her Shares using another investment holding company wholly-owned by her, namely Scenic Gift.
5. During the Reorganisation, Ms. Zhang took up his Shares using another investment holding company wholly-owned by her, namely Skillful Sphere.

HISTORY, DEVELOPMENT AND REORGANISATION

Pre-IPO Investors' lock-up

Each of Mr. Sun (for himself and on behalf of Jiranek Investments), Ms. Lin (for herself and on behalf of Scenic Gift) and Ms. Zhang (for herself and on behalf of Skillful Sphere) has given an undertaking to each of the Sole Sponsor, Joint Global Coordinators, our Company and the Public Offer Underwriters in respect of the Shares pursuant to which, during the period commencing on Listing Date and ending on the date which is 12 months from the Listing Date, he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the relevant securities; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in (a), (b) or (c) above.

Since (i) the consideration for the pre-IPO Investments has been fully settled on or before 15 March 2016; (ii) the special rights granted to the investors have been discontinued before the Listing; and (iii) the Pre-IPO investors' lock up above does not constitute an amendment to the equity transfer agreements for the Pre-IPO investments, given that (a) such lock-up were given voluntarily by the Pre-IPO investors and (b) there was no such lock up term in the relevant equity transfer agreements, the Sole Sponsor considers the above acquisitions of equity interest in Xiamen Wofan were in compliance with the Guidance Letters HKEx-GL29-12, HKEx-GL43-12 and HKEx-GL44-12 issued by the Stock Exchange.

REORGANISATION

We reorganised our corporate structure in preparation for and in connection with the Listing and the Global Offering. Following the Reorganisation, our Company became the holding company of our Group. The steps of the Reorganisation are set out below.

(1) Incorporation of our Company

Our Company, which was incorporated in the Cayman Islands with limited liability on 8 January 2016, acts as the ultimate holding company of our Group. On the date of incorporation of our Company, its authorised Share capital was HK\$380,000 divided into 3,800,000 Shares of par value of HK\$0.1 each and one share of par value HK\$0.1 was allotted and issued fully-paid to the subscriber, an Independent Third Party, which in turn transferred such one Share to Precisely Unique at par. On the same date, 69, 10, 10, 5 and 5 Shares were allotted and issued all credited as fully-paid to Precisely Unique, Jiranek Investments, Rising Case, Scenic Gift and Skillful Sphere, respectively. Precisely Unique is an investment holding company wholly owned by Mr. Liu. Rising Case is an investment holding company wholly owned by Liu Tianping. Scenic Gift is an investment holding company wholly owned by Ms. Lin, whereas Skillful Sphere is an investment holding company wholly owned by Ms. Zhang.

HISTORY, DEVELOPMENT AND REORGANISATION

On 15 July 2016, the name of our Company was changed from “Oceania Green Food Holdings Company Limited (大洋洲綠色食品控股有限公司)” to “Oceania Food (China) Holdings Company Limited (大洋洲食品(中國)控股有限公司)”. Our Company has previously submitted a listing application to the Stock Exchange under the name of “Oceania Green Food Holdings Company Limited” in April 2016.

On 7 October 2016, the name of our Company was further changed to “China Shenghai Food Holdings Company Limited (中國升海食品控股有限公司)”.

(2) Incorporation of Billion Bond and New Lead

Billion Bond

On 28 August 2015, Billion Bond was incorporated in the BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of par value US\$1.00 each. On 12 January 2016, one ordinary share of par value US\$1.00 in Billion Bond was allotted and issued fully-paid to our Company and since then, Billion Bond has become a wholly-owned subsidiary of our Company. Billion Bond is an investment holding company.

New Lead

On 3 December 2015, New Lead was incorporated in Hong Kong with limited liability and on the same date, one share in New Lead was allotted and issued fully-paid to the subscriber, an Independent Third Party. On 12 January 2016, the subscriber transferred one share to Billion Bond and since then, New Lead has become a wholly-owned subsidiary of Billion Bond. New Lead is an investment holding company.

(3) Transfer of the Entire Equity Interests in Xiamen Wofan

On 29 March 2016, New Lead entered into an equity transfer agreement with Mr. Liu, Liu Tianping, Jiranek Investments, Xiamen Shengtianji and Xiamen Shengying, pursuant to which Mr. Liu, Liu Tianping, Jiranek Investments, Xiamen Shengtianji and Xiamen Shengying agreed to transfer the entire equity interests in Xiamen Wofan to New Lead at an aggregate consideration of US\$892,307, which was based on the registered capital of Xiamen Wofan. New Lead settled such consideration on 27 April 2016 by using the shareholders’ loan of US\$624,615, US\$89,231, US\$89,231, US\$44,615 and US\$44,615 granted to our Company by Precisely Unique, Jiranek Investments, Rising Case, Scenic Gift and Skillful Sphere, respectively. Upon the completion of such equity interests transfer, Xiamen Wofan has become a wholly-owned subsidiary of New Lead.

HISTORY, DEVELOPMENT AND REORGANISATION

(4) Share Subdivision and Increase in our Authorised Share Capital

On 21 June 2017, each of the issued and unissued shares of HK\$0.1 in the share capital of our Company was subdivided into 10 Shares of HK\$0.01 each and on the same date, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 ordinary Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 ordinary Shares of par value HK\$0.01 each, by the creation of 9,962,000,000 ordinary Shares of par value HK\$0.01 each.

(5) Capitalisation of Shareholders' Loan

On 22 June 2017, 140,000, 20,000, 20,000, 10,000 and 10,000 Shares were allotted and issued all credited as fully-paid to Precisely Unique, Jiranek Investments, Rising Case, Scenic Gift and Skillful Sphere, respectively, in consideration of the capitalisation of loans in the amount of HK\$15,965,151, HK\$2,280,736, HK\$2,280,736, HK\$1,140,368 and HK\$1,140,368 owing by our Company to Precisely Unique, Jiranek Investments, Rising Case, Scenic Gift and Skillful Sphere, respectively. Upon the completion of such loan capitalisation, our Company remained owned by Precisely Unique, Jiranek Investments, Rising Case, Scenic Gift and Skillful Sphere as to 70%, 10%, 10%, 5% and 5% respectively.

In or around April 2016, the Company took steps to obtaining funding in the form of shareholders' loan in view of its cash flow needs principally due to the cost incurred for the acquisition of Xiamen Wofan and the expenses incurred for the preparation of the Listing. Proceeds of the shareholders' loan in the amount of HK\$22.8 million were applied towards the Listing expenses and the cost of reorganisation incurred up to the Latest Practicable Date. This amount had been fully utilised as at the Latest Practicable Date. Before the Listing, this shareholders' loan was capitalised to demonstrate the Company's then Shareholders' financial commitment to the Company.

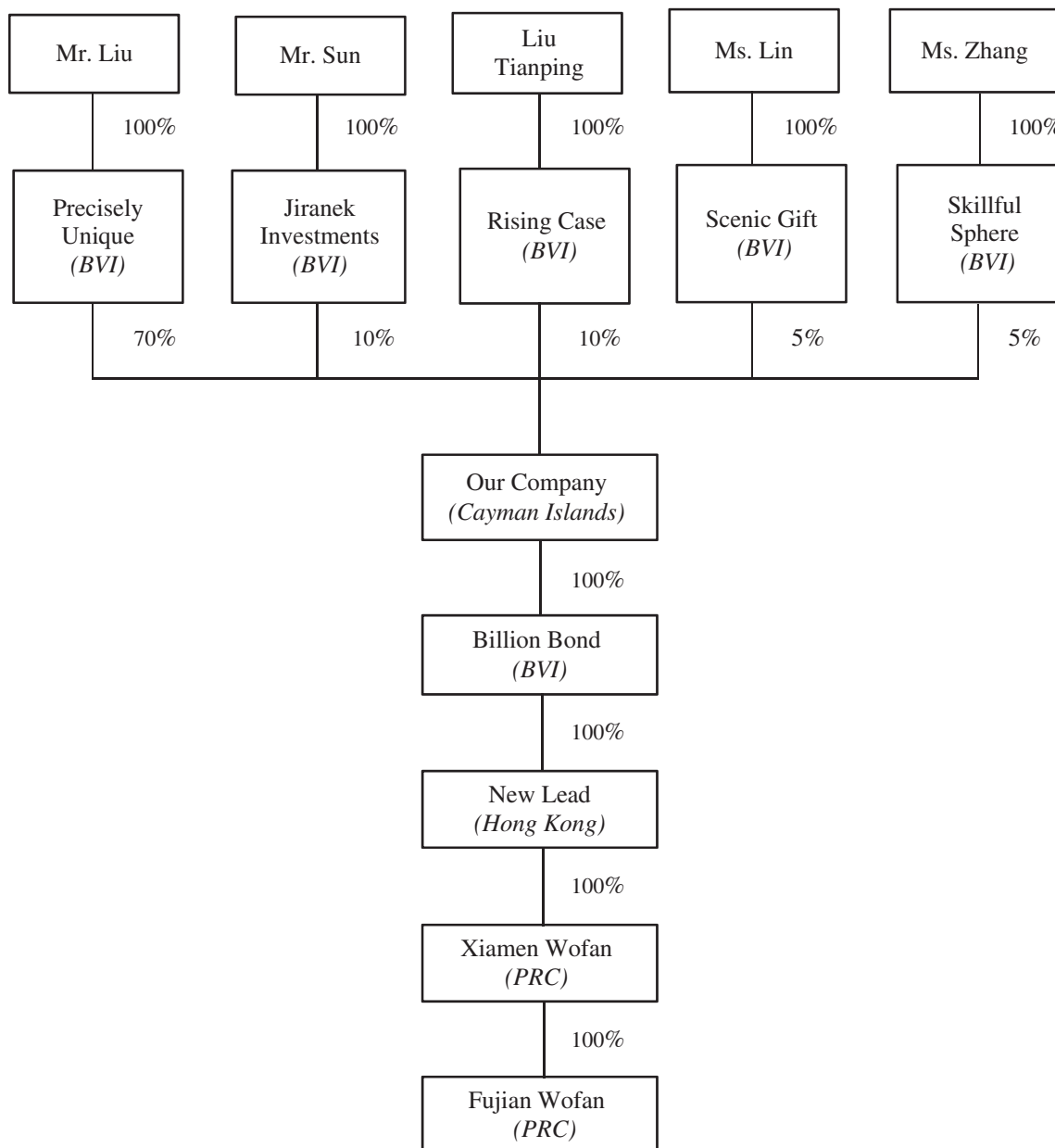
Mr. Liu Tianping's lock-up

Mr. Liu Tianping (for himself and on behalf of Rising Case), has given an undertaking to each of the Sole Sponsor, the Joint Global Coordinators, our Company and the Public Offer Underwriters in respect of the Shares pursuant to which, during the period commencing on Listing Date and ending on the date which is 6 months from the Listing Date, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the relevant securities; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in (a), (b) or (c) above.

HISTORY, DEVELOPMENT AND REORGANISATION

GROUP STRUCTURE IMMEDIATELY AFTER COMPLETION OF REORGANISATION

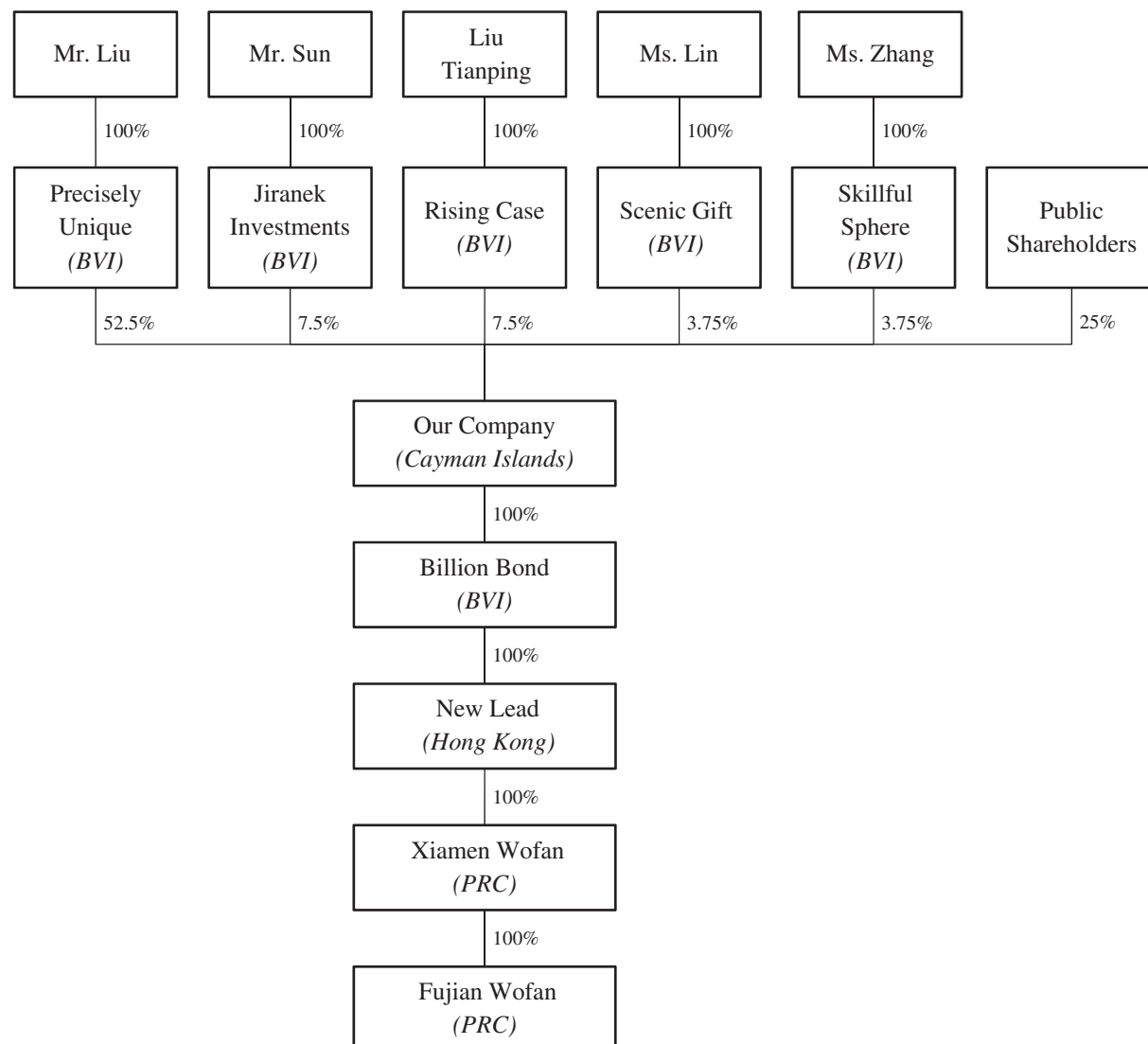
The shareholding structure of our Group immediately after the completion of the Reorganisation was as follows:



HISTORY, DEVELOPMENT AND REORGANISATION

GROUP STRUCTURE IMMEDIATELY AFTER GLOBAL OFFERING

The shareholding structure of our Group immediately after the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Scheme) will be as follows:



PRC REGULATORY REQUIREMENTS

SAFE Circular 37

Our PRC Legal Advisers have advised that Mr. Liu, Liu Tianping, Ms. Lin and Ms. Zhang, being the relevant beneficial shareholders of our Group and who are domestic residents of the PRC, have completed their foreign exchange registration of overseas investments as required under SAFE Circular 37.

M&A Rules

On 8 August 2006, six PRC governmental and regulatory agencies, including Ministry of Commerce and CSRC, promulgated the Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”) which became effective on 8 September 2006 and was revised on 22 June 2009. Pursuant to Article 11 of the M&A Rules, where a domestic individual person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of Ministry of Commerce.

As advised by our PRC Legal Advisers, Article 11 of the M&A Rules does not apply to our Reorganisation, because (i) at the time of acquisition of 10% equity interest in Xiamen Wofan by Jiranek Investments, Jiranek Investments then was wholly-owned by Mr. Sun and was neither established nor controlled by Mr. Liu; and (ii) in the case of acquisition of 100% equity interest in Xiamen Wofan by New Lead, Xiamen Wofan was a sino-foreign equity joint venture, therefore the acquisition of the equity interests in Xiamen Wofan by New Lead shall be subject to Provisions of the Alteration of Investor’s Equities in Foreign-funded Enterprises (外商投資企業投資者股權變更的若干規定) (“**the Provisions**”) rather than the M&A Rules. The Provisions is applicable to alteration of investor’s equities in foreign-funded enterprises due to the changes of investors of sino-foreign equity joint ventures established within the PRC pursuant to the PRC laws, sino-foreign cooperative joint ventures, foreign-invested enterprises or their capital contributions in the enterprises. Xiamen Municipal Bureau of Commerce (廈門市商務局), which is the competent foreign investment authority having the relevant power at provincial level, was of the same view and approved such acquisitions. Accordingly, the acquisitions of equity interest in Xiamen Wofan are not subject to the examination and approval of MOFCOM.

Our PRC Legal Advisers have also confirmed that we have complied with all applicable PRC rules and regulations and have obtained all relevant approvals from PRC Government authorities for the Reorganisation and that we are not required to obtain approval from CSRC, MOFCOM or other relevant PRC authorities for the Listing.

OVERVIEW

We sell dried seafood, seafood snacks and frozen seafood in the PRC. We also sell algae and fungi in the PRC. We (i) source high quality raw and processed raw materials, (ii) sub-contract processing of the unprocessed raw materials to third parties, (iii) package products at our own packaging facilities or through our sub-contractors, and (iv) sell packaged products under our own brand “Wofan (沃豐)”. We also sell dried seafood, algae and fungi without packaging, and sell frozen seafood at a seafood wholesale market.

We recorded significant growth during the Track Record Period. Our revenue grew at a CAGR of approximately 51.2% from the year ended 31 December 2014 to the year ended 31 December 2016, reaching approximately RMB468.0 million. Our revenue grew 128.5% from RMB204.8 million for the year ended 31 December 2014 to approximately RMB468.0 million for the year ended 31 December 2016. Our gross profit for the years ended 31 December 2014, 2015 and 2016 were approximately RMB47.9 million, RMB94.1 million and RMB118.4 million, respectively.

Our significant growth during the Track Record Period was driven by our increasing customer demand which was supported by a corresponding increase in supplies. We primarily sell our products to supermarkets, trading companies and convenience stores, as well as through a wholesale market for seafood and other sales channels. We source unprocessed raw materials from a number of suppliers, including fishermen suppliers and algae farmers, and source processed raw materials from corporate suppliers. We secure raw materials in advance to improve the stability of our supplies and pricing. We believe our customers choose our products mainly based on (i) the Strong Historical Sales Record of our products, supported by effective sales and promotion strategies, (ii) our stable product supply, and (iii) our large and evolving range of diverse product offering. Specifically we have demonstrated our ability to (i) implement effective sales and promotion efforts on our products, including the sales and promotion teams stationed in our customers’ stores to boost sales; and (ii) utilise favourable market intelligence and research analysis conducted or arranged by our customers on our products.

We believe that forecasts for our products’ sales performance largely reflect our products’ historical sales performance and our sales and promotion efforts. We further believe that the high quality of our products and their attractive packaging and design increased end consumers’ acceptance of our products during the Track Record Period. We have a long track record with our customers. Almost all of our top ten customers for the years ended 31 December 2014, 2015 and 2016 began the relationship with us prior to the Track Record Period. During the Track Record Period, these customers continued to purchase our products in growing amounts. As at 31 December 2016, we had 56 sales representatives and 207 promoters covering nine provinces and three municipalities in the PRC. Our sales representatives manage our customer relationships, whereas our promoters are stationed at supermarkets to promote our products to end consumers. We believe our strong existing customer base and track record serve as a solid foundation for our future growth in the seafood and algae industries.

We believe our customers also select us because we have stable product supplies, allowing us to consistently and predictably meet our customer demands even in times of general shortages in the market. We have developed a deep understanding of our raw materials and our suppliers’ capabilities. Throughout the years, we have entered into long-term agreements with a large number of high quality raw material suppliers. We have selected fishermen suppliers who focus on catching the specific fresh seafood we need. We have also established strong relationships with algae farmers. These agreements and relationships help to reduce our exposure to price and supply fluctuations. Since our products are made

BUSINESS

primarily from natural ingredients, we believe a stable supply of raw materials makes us less susceptible to adverse environmental changes that may otherwise affect pricing or availability of raw materials. We also engage sub-contractors to process our unprocessed raw materials, which provides greater operational flexibility and variable costing.

We have a large and evolving range of diverse product portfolio, supplemented by an attractive and growing product pipeline. We offer a comprehensive product portfolio that includes a variety of seafood, algae and fungi. As at 31 December 2016, we offered 203 types of products. To grow our product portfolio, we gather market information through our close and regular interaction with customers and end consumers. Our sales representatives collect feedback on our products and packaging from our supermarket customers, whereas our promoters collect feedback directly from our end consumers. During the Track Record Period, we launched 157 New Product Types and Enhanced Products. For example, through collaboration with the College of Food and Biological Engineering of Jimei University, we have launched 12 New Product Types and Enhanced Products.

We intend to continue to grow our revenue by increasing sales to our existing customers and improving our customer relationships, as well as acquiring new customers. We believe our close relationships with our existing customers have presented us with robust opportunities to expand our sales to the sales network of our existing customers in regions like Northern China and Central Western China. We aim to increase the number of promoters stationed at our customers' stores, enhance the relationships between our sales representatives and our customers, and otherwise diversify and strengthen our sales and promotion efforts. We believe our sales can readily expand from Fujian and Guangdong Provinces, where our products are primarily sold, to other regions of China, including Northern China and Central Western China. As we increase the sales of our products to existing customers, we also anticipate launching New Product Types and Enhanced Products to take advantage of our established sales channels. We also plan to leverage on our existing customer relationships and grow our sales and promotion team to further expand our customer base.

OUR COMPETITIVE STRENGTHS

Large and stable supply of high quality raw materials

To produce high quality products, we must have high quality raw materials. We source a large amount of high quality raw materials through our stable supply network. We established our supply network through 11 years of operations and leverage on our network to meet our large and stable demand for raw materials. Our costs of raw materials for the years ended 31 December 2014, 2015 and 2016 represented approximately 92.1%, 91.3% and 93.1% of our total cost of sales, respectively. Our major raw materials include raw seafood, raw algae, processed algae and processed seafood.

Our access to stable high quality supplies helps us meet our customers' large and growing demands. We believe our customers would be less willing to consider purchasing products from competitors without stable supply chains. We have an experienced procurement team with a deep understanding of our raw materials and our suppliers' capabilities. We choose suppliers from Fujian and Zhejiang Provinces, which are close to coastal areas with abundant marine resources. Since the commencement of our cooperation with fishermen suppliers in 2011, we have entered into long-term agreements with a majority of our suppliers to ensure stable high quality supply. During the Track Record Period, we had 62 suppliers, including three algae farmers who are also sub-lessees of our tidal flats.

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We have also adopted and maintained strict procedures for the selection of our suppliers to ensure that our raw materials meet our high quality standards. We have the right to reject raw materials that do not meet our quality standards. We regularly monitor our suppliers to reduce supply risks, including risks related to the quality of the raw materials, local marine environment, weather conditions, compliance with fishing regulations and logistics. Our raw materials are generally available from a number of suppliers, and we generally have at least two sources of supply for each type of raw material to reduce the reliance on any single supplier. We did not experience any shortage of raw materials or quality issues with our raw materials during the Track Record Period that materially affected our operations.

Experienced sales and promotion team and large-scale loyal customers

Our experienced sales and promotion team has attracted a network of large-scale loyal customers. We believe that our experienced sales and marketing network allows us to effectively maintain and grow our customer base in our existing markets and new markets. Leveraging our strong sales and promotion team and customer base, and the smooth coordination of our procurement and sales operations, we have achieved significant sales growth and was one of the fast-expanding market players in the dried seafood market in China, in terms of the retail sales value in 2016, with a market share of approximately 0.93% in China, according to the ASKCI Report. Our well-established customer relationships have further enhanced the sale of our existing products and provide channels for the sale of our New Product Types and Enhanced Products.

We had 56 sales representatives and 207 promoters covering nine provinces and three municipalities in the PRC as at 31 December 2016. Our direct contact with consumers deepens our understanding of their changing preferences. Our sales representatives are responsible for identifying new customers, securing sales orders, maintaining customer relationships and soliciting market feedback. Our promoters are responsible for sales promotion and marketing activities at designated stores of our supermarket customers, such as product demonstration and collecting end customers' feedback of our products and market information.

We primarily sell our products to large-scale and well-known supermarkets, trading companies and convenience stores. As at 31 December 2016, we had 33 supermarkets, 33 trading companies and four convenience store customers in the PRC. As at the Latest Practicable Date, we have had established business relationships with our five largest customers for between five to 12 years. More importantly, as at the Latest Practicable Date, we had an established business relationship of over 10 years with our largest customer, which is one of the largest supermarket chains in the PRC. We were recognised by this customer as “the Best Supplier of Fresh Food in 2012” (2012 年度鮮食部最佳供應商). We believe our customers have significant influence over local consumers, further driving demand for our products and building our consumer recognition. Supermarkets and convenience stores will also regularly promote their product portfolios to our end consumers in their advertisements and include our products in these advertisements. During the Track Record Period, we sold all of our packaged products under our own brand “Wofan” (沃豐).

Large and evolving range of diverse product portfolio supplemented by an attractive and growing product pipeline

We sell dried seafood, algae, fungi, seafood snacks and frozen seafood in a variety of combinations of raw material, flavouring and packaging. Our comprehensive product portfolio provides our customers with a broad and convenient choice of product offerings, which creates opportunities to sell additional products to our customers. As at 31 December 2016, our product portfolio included 95 dried seafood, 35 algae and fungi, 62 seafood snacks and 11 frozen seafood.

We aim to continually innovate and improve our products to cater to changing consumer preferences, focusing particularly on product tastes and packaging, while maintaining our production costs at reasonable levels. We have implemented a product offering enrichment strategy, which involves the introduction of new packaged products that were previously sold unpacked, existing products with smaller package, gift packages, unpacked algae products and in some cases, modified the main ingredients of existing products. These New Product Types and Enhanced Products were launched in response to the feedback we received from our customers as well as the end consumers in order to fit their needs. During the Track Record Period, we introduced 157 New Product Types and Enhanced Products, including new flavoured seafood snacks through efforts of our own research and development team (in collaboration with the party described below) such as sliced octopus (美人章魚片), Korean-style seaweed (韓式海苔) and grilled fish crisps (烤魚片). We have also introduced new gift box products for dried seafood, algae and fungi and seafood snacks. In addition, with the growing demand for healthy diet and lifestyle among Chinese consumers, we intend to focus our research and product development efforts on developing healthier food products.

Since August 2015, we have been collaborating with the College of Food and Biological Engineering of Jimei University (集美大學食品與生物工程學院), which focuses on food science related research projects, to establish a joint development centre for seafood snacks. Jimei University provides us with technical support in terms of selection of raw materials, production techniques and product specifications. We have the pre-emptive and exclusive right in relation to the ownership of any new technologies developed under our collaboration with Jimei University. As at the Latest Practicable Date, we launched 12 New Product Types and Enhanced Products which can be attributed to our collaboration with Jimei University, including sliced octopus (美人章魚片), crispy yellow croaker (香酥小黃魚) and grilled fish crisp (烤魚片). We believe our collaboration with Jimei University has further diversified and enhanced our product portfolio.

Experienced management team with a proven track record

We have a stable and experienced management team that has served our Group for an average of more than six years. Our Directors believe that the vision and extensive experience of our management team, coupled with our in-depth industry knowledge and understanding of the market through our daily operations, are essential to our success.

For instance, Mr. Liu, one of our executive Directors, has more than 10 years of experience in the seafood related industry and Mr. Jiang Dehua, another executive Director, has management experience for more than 10 years in the media and advertising industry. We believe that their extensive experience and knowledge of the food industry, as well as foresight into market trends, have led us to grow our revenue and market share substantially over the years. For biographical details of our Directors and senior management, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

BUSINESS STRATEGIES

We aspire to strengthen our position in the seafood and algae industries in China. To achieve this goal, we have the following strategies:

Enhance our existing customer relationships in existing and new markets

We intend to increase our sales to our existing customers and improve our customer relationships. Our major supermarket customers are large-scale retail chain stores with nationwide footprints. However, our customers currently primarily sell our products through their stores in Southern China. Owing to such pre-existing relationships, we believe that our customers would also be willing to sell our products in Northern China (including the cities of Beijing and Tianjin and provinces of Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Shandong and Henan of the PRC) and Central Western China (including the city of Chongqing and provinces of Hubei, Hunan, Sichuan, Guizhou, Yunnan, Shannxi, Gansu and Ningxia of the PRC) if we provide them with additional marketing, logistics and warehousing support in these regions due to the largely untapped demand for seafood, seafood snacks and algae and fungi product in Northern and Central Western China.

According to the ASKCI Report, the total spending on dried seafood, algae and seafood snacks in Northern China and Central Western China amounted to RMB18.5 billion, RMB14.1 billion and RMB7.4 billion, representing 44.7%, 40.3% and 46.5% of the total market of these products in China in 2016, respectively. Furthermore, according to the ASKCI Report, our two largest supermarket customers during the year ended 31 December 2016 had an aggregate of approximately 3,700 stores across China as at 31 December 2016. We believe that our merchandise was only sold in approximately 340 of their stores as at 31 December 2016, leaving substantial room for growth even within their network stores. Our customer base included another 31 nationwide or regional supermarket chains as at 31 December 2016, which we believe provides other significant expansion opportunities in Northern China and Central Western China.

We have had discussions with two leading supermarket customers, one of which was our five largest customers during the Track Record Period, where they indicated that they would like to sell our products in a greater number of regions in China, including Northern China and Central Western China. Both of these customers ranked among the top five leading supermarket chains in China in terms of revenue in 2016, according to the ASKCI Report. Based on their feedback, we estimate that our products were sold in approximately 210 stores of these two customers as at 31 December 2016. These two customers generated revenue of approximately RMB43.2 million during the year ended 31 December 2016 from stores that were primarily located in Southern China. Since these customers procure their products through a centralised procurement system which primarily serves to facilitate orders through a common purchasing department or entity, they would have already pre-screened their orders to avoid duplications and could utilise their existing procurement network to readily promote our products. We understand that when determining whether to make purchases from our Group, these two customers would consider logistics arrangement and costs involved in transporting our products to their warehouses and chain stores in other regions in China, including Northern China and Central Western China, which means that logistical support from us would be important. As a demonstration of their confidence in our products, the two aforementioned supermarket customers had signed letters of intent with us confirming their interests in ordering more products from us once our new logistic centres have been established.

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We believe that the new logistic centres would contribute to revenue growth in Northern China and Central Western China considering (i) the indication of our two leading supermarket customers that they would like to sell our products in a greater number of regions in China including Northern China and Central Western China; and (ii) that most of our other existing customers with nation-wide sales network should also similarly consider procuring more products from us for sale in their chain stores located adjacent to these regions if our new logistic centres are located in regions which are in closer proximity with these customers' warehouses and/or chain stores. In particular, under the current arrangement with majority of our customers, we only bear the transportation costs for delivery of goods from our warehouse in Fujian to the customers' warehouses or stores located within or near Fujian and Guangdong Provinces. If these customers would like to sell our products in their stores located in other parts of the PRC, they will need to arrange for the transportation and incur the incidental logistic costs, making our products less attractive. As it is our plan to strengthen and maintain our market position in the long run, we believe that by offering these customer similar delivery arrangements like our current operations in Fujian Province, our new logistic centres would enable us to achieve greater operational and cost efficiencies and better serve a wider clientele while we continue to expand our operations in the PRC. Since our customers place their orders based on their inventory levels and delivery lead times, to reduce our logistics costs and improve the timeliness of our delivery, we intend to establish our own logistics centres in Tianjin and Chengdu. We are confident that our existing customers will continue to support us in the new markets given the Strong Historical Sales Record of our products in their chain stores in southern parts of China. Please see the sections headed "Business — Overview" for other reasons why our customers choose our products. Furthermore, as we plan to implement our existing policies which aim to reduce potential risk of cannibalisation, if any, among our customers as set out in the section headed "Business — Distribution and Logistics — Management of Supermarket and Non-supermarket Customers", we believe that the risk of cannibalisation among our existing customers and new customers in the new market is low.

We operate in China's seafood and algae industries which is highly fragmented and generally face strong competition. We are aware of the presence of some competitors with greater financial, products development and other resources in the new markets to which we are aiming to expand. We believe, however, that we have competitive advantages over these competitors considering our capability to maintain large and stable supply of high quality raw materials, our experienced sales and promotion team, our large and evolving range of diverse products portfolio, and our experienced management team with a proven track record. Please see the sections headed "Risk Factors — Risks relating to our industry — We operate in a highly competitive industry", "Industry Overview — Seafood and Algae Industries in China" and "Business — Our Competitive Strengths" in this prospectus for further details.

We also aim to increase the number of promoters stationed at our customers' stores and enhance the relationships between our sales representatives and our customers. As we increase the sales of our products to existing customers, we also anticipate launching New Product Types and Enhanced Products to take advantage of our established sales channels, catering to shifting customer preferences. In addition, we anticipate increasing our sales and promotion efforts, including hiring promoters and launching advertising campaigns, to facilitate our expansion in Northern China and Central Western China.

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We plan to maintain our production plant in Fujian Province in the foreseeable future to take advantage of the close and stable relationship with our current suppliers of raw materials and sub-contractors on the one hand and on the other to preserve the uniqueness of our food products which are produced from marine aquaculture species that are predominantly cultured in the coastal areas of Fujian and Zhejiang Provinces. As advised by ASKCI, the coastal areas of Fujian and Zhejiang Provinces are located in the East China Sea region where the water temperature typically ranges from 10 to 20 degree Celsius in the winter and 20 to 30 degree Celsius in the summer. It is a more suitable environment for cultivating seaweeds and porphyra, as compared to the coastal areas in the Northern China where the sea temperature is lower and salinity content is different. Furthermore, the East China Sea region is located close to downstream Yangtze River where the sea water contains rich mineral substances and larger volume and variety of marine species can be found in such region, as compared to the coastal areas in the Northern China, giving the East China Sea region an advantage regarding such produce. To ensure cost efficiency and maintain the highest quality of our food products, we are not currently planning to establish processing and packaging plants in the new markets that we are aiming to expand at this stage of our development.

Our new logistics centres will include cold storage facilities and cold chains vehicles and will be supported by an enterprise resource planning system. Currently we lease two cold storage for storing frozen seafood in Gaoqi Zhongpu Aquatic Products Wholesale Market and one cold storage for storing frozen seafood in Logistic Park, Xiamen City, Fujian Province. Our existing production facilities are also equipped with cold storage facilities. We consider that acquiring the cold storage facilities is more conducive to our Group's operation than leasing these facilities, since (i) purpose-built cold storage facilities will cater to the highly specific needs of our products, in particular the requirement that different products should be kept at different optimal temperature to avoid quality degradation and preserve food integrity; (ii) algae products should be kept at light-adjustable storage with other specific technical requirements to suppress algae biological action in order to extend shelf life time and keep their freshness which requires customisation of storage facilities; and (iii) a self-owned cold storage facilities provide us the flexibility to enhance the functions of these facilities, such as equipping machines that contain ionising radiation and ozone disinfection which serve to extend food products' durability and preserve these products' appearance. We have not identified any suitable ready-made cold storage facilities available for lease in the market that can satisfy all the specific requirements that we expect. Moreover, in case of failure to renew the lease of cold storage, we may incur substantial relocation cost and logistical challenges which may affect our operations. Having considered the above factors, we concluded that building our own cold storage facilities instead of leasing them is more commercially viable and is more beneficial to our long-term development.

We are confident that we have the capability to source sufficient raw materials to meet our further growth based on the following factors: (i) our experienced procurement team with a deep market understanding of the likely availability and market demand of our raw materials; (ii) the advantageous locations of most of our suppliers (most of which are located in Fujian and Zhejiang Provinces), which are close to coastal areas with abundant marine resources and also in close proximity of our processing and packaging facilities, thereby increase operating capacity substantially; (iii) our long-term relationships with a majority of our suppliers which ensure stable high quality supply; (iv) our confidence that our major suppliers would give priority to supplying us with relevant raw materials based on years of cooperation (except in circumstances of supply shortage); and (v) our identification of new potential suppliers whom we believe to have the capacity to supply similarly stable and high-quality raw materials to our Group and initiation of discussion with more than five of them with an aim to enlarge our suppliers' network to align with the growing needs as our business continues to expand. Specifically, we have

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reached a firm understanding in the form of letter of intent with a number of our existing sub-contractors that they will reserve sufficient capacity to meet our increasing processing demand in the coming few years in view of our plan to expand into the new market. Our plan to expand our packaging capabilities will allow us to continually meet our existing and anticipated customer demand. We do not foresee material difficulties in identifying new food processing or packaging sub-contractors given the abundance of sub-contractors with capabilities to offer similar services in the market.

We are in an advanced stage in formulating the logistics for moving the finished goods from our packaging facilities in Xiamen to the logistic centres in the new markets. We plan to engage our preferred logistics providers currently in cooperation with us to provide for the logistics support from the packaging facilities in Xiamen to the logistics centres located at Tianjin and Chengdu.

We believe that the expansion into the new market will not have any significant impact on the gross margin of the sales of our products given the incremental costs of the expansion in the new markets are mainly selling expenses which does not form part of the cost of sales. The breakeven and payback period is estimated to be 2.1 years and 3.3 years respectively. Given that (i) a significant portion of the initial costs of expansion into the new markets are capital in nature and will be amortised over the useful life of the relevant assets and (ii) the incremental selling and distribution expenses will be partially offset by the increase in revenue generated by the expansion plan, we believe that such expansion plan will not have significant impact on our net profit and net profit margin but will continue to drive our revenue growth. In the long run, we believe the expansion plan will boost the total sales of our Group through increase in sales volumes from our existing customers and attracting sales from new customers.

We believe that leveraging the support of our existing customer base, we can effectively expand into new regions in China. We will also expand our customer base by targeting new customers that do not directly compete with our existing customers, including supermarkets, trading companies and convenience stores.

We plan to spend approximately 6.3%, or HK\$8.6 million, of the net proceeds from the Global Offering for localised sales and promotion activities to support sales growth in Northern China and Central Western China (including television advertising, engaging marketing consultation and participating in exhibitions). These promotion efforts will be primarily used for increasing in-store and near-store advertisements and recruitment of additional promoters specifically for the new markets. These sales and promotion efforts are geographically delineated from those to be undertaken by our Group in the southern part of China.

Please refer to the sections headed “Future Plans and Use of Proceeds — Use of Proceeds” and “Future Plans and Use of Proceeds — Reasons for Listing and Global Offering — Our Capital Requirements and Reasons for the Global Offering — Enhance our market access and deepen our penetration of Northern China and Central Western China” in this prospectus for further details.

Enhance our packaging capabilities to address customer demands and improve quality control

We intend to expand our packaging facilities to address growing customer demand and improve our product packaging. As demand for our products continues to grow, the packaging capacity needed for our products has also increased. We currently have a packaging facility in Xiamen, Fujian Province which is primarily used for packaging dried seafood. This facility had utilisation rates of 52.6%, 97.9% and 106.3% for the years ended 31 December 2014, 2015 and 2016, respectively. Since this facility has been almost fully utilised since the end of 2015, we have relied on external sub-contractors in order to meet our excess packaging needs. We have also sub-contracted most of the packaging for our algae to third parties. The sub-contracting fee paid to third parties for packaging our products is higher than the operational costs of establishing our own packaging facilities. In addition, our sub-contractors serve multiple customers, rendering their packaging capacity less stable than our own capacity.

For these reasons, we intend to increase our packaging capabilities for both dried seafood and algae by acquiring additional packaging facilities and equipment. We aim to take advantage of economies of scale and expand our own packaging capabilities which will allow us to meet our growing customer demand, while enhancing our profit margin, the stability of our packaging capabilities and our oversight over quality control. We intend to improve our technology capabilities at these new packaging facilities. In addition, as we grow our own in-house capabilities, we also increase our ability to make further improvements in product design. Please refer to the section headed “Business — Packaging — Acquisition of Additional Packaging Facilities and Equipment” in this prospectus for further details.

We also intend to develop improved cold storage for our dried seafood in our new packaging facilities that further increase the freshness of our products, which will allow us to improve the taste, colour, texture and shelf life of our products. We intend to enhance the overall quality of our food products by adding automated packaging lines and sorting lines and establishing a new quality control and testing centre for both our seafood and algae and fungi food products that complies with international quality control standards.

The new quality control and testing centre will be set up for product evaluation and testing. Our existing quality control professionals, together with certain additional professionals in quality control to be recruited will operate this centre. We plan to acquire product testing and quality control equipment to monitor the essential stages from collection of raw materials to production of the finished products. We will import a wide range of instruments and equipments from the United States, Japan, Germany and Italy which are capable of meeting the European Union standards. It is expected that food chemistry analysis, food microbiology analysis, food nutrition analysis, food allergen analysis, and natural food toxin analysis will be conducted on our food products in the quality control and testing centre, with an aim to ensure the compliance with the applicable standards imposed on food products, reduce product recalls, and ensure high product quality.

Please refer to the sections headed “Future Plans and Use of Proceeds — Use of Proceeds” and “Future Plans and Use of Proceeds — Reasons for Listing and Global Offering — Our Capital Requirements and Reasons for the Global Offering — Acquiring new packaging equipment and establishing quality control and testing centre” in this prospectus for further details.

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Further diversify and increase our sales and promotion efforts

We believe that further penetration of our existing sales channels is crucial to further increasing our market share and coverage, which can be achieved by expanding our sales and promotion team. During the Track Record Period, our customers mainly comprised of supermarkets, trading companies and convenience stores. We plan to expand our customers base by expanding and strengthening our sales capability via expansion of our sales and promotion team to provide sales support to our customers.

Specifically, we intend to establish and operate our own online stores through certain third party e-commerce platforms on both mobile and desktop devices by building up our own team of experts specialised in e-commerce and online marketing in or around 2017. Our Directors expect that the capital expenditure for the establishment of our online stores will be not more than RMB0.5 million. According to the ASKCI Report, traditional sales channels accounted for over 90% of the overall seafood market in China, while online sales accounted for less than 10%. Therefore, based on the ASKCI Report, our Directors are of the view that there will be no significant direct competition between our existing customers and proposed online stores as the majority of our customers are engaged in physical store operations where their target consumers are different from online consumers. For the years ended 31 December 2014, 2015 and 2016, the overall sales of our Group through our customers' e-commerce platforms amounted to RMB4.5 million, RMB12.3 million and RMB16.5 million, respectively, accounting for 2.2%, 3.4% and 3.5% of the total sales of our Group during the corresponding periods. Our online stores expand our reach to include end consumers in younger generations, whereas our supermarket customers primarily aim to sell to family-oriented consumers. In addition, as our industry remains relatively fragmented, we believe that our online platform will provide us with another avenue for capturing market share from our competitors. We will also leverage on our online stores to build awareness of our brand, which further improves our in-store sales. We believe that our online stores will continue to support the growth of our traditional sales channels. As advised by our PRC Legal Advisers, such plan does not violate the applicable PRC laws and regulations.

We plan to spend (i) approximately 9.4%, or HK\$12.9 million (based on an Offer Price of HK\$0.715 per Offer Share and assuming the Over-allotment Option is not exercised), of the net proceeds from the Global Offering to expand other sales and promotion channels (including increasing our in-store or near-store advertisements, engaging marketing consultants and re-designing our products) mainly in Southern China; and (ii) approximately 5.9%, or HK\$8.1 million, of the net proceeds from the Global Offering to hire promoters to service our market coverage in Southern China.

Please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds” and “Future Plans and Use of Proceeds — Reasons for Listing and Global Offering — Our Capital Requirements and Reasons for the Global Offering — Diversifying and increasing our sales and promotion efforts” in this prospectus for further details.

BUSINESS

Source, package and market New Product Types and Enhanced Products that cater to changing consumer preferences

We have been developing successful New Product Types and Enhanced Products that cater to changing consumer preferences. We have focused on re-packaging, re-designing and enhancing the quality of our existing products, while co-developing New Product Types and Enhanced Products through our collaboration with Jimei University. As of the Latest Practicable Date, we have committed a total of RMB1.5 million towards research and development with Jimei University and 12 New Product Types and Enhanced Products were launched. These products generated gross profit of RMB2.2 million and RMB3.6 million for the year ended 31 December 2015 and the year ended 31 December 2016, respectively. We intend to enhance our research and development capabilities through collaborating with Jimei University and through growing our own research and development team.

We expect to launch a series of New Product Types and Enhanced Products in 2017, while designing new packaging of our existing products to revitalise their consumer awareness. We intend to increase our sales and marketing efforts with the launching and redesign of these products. Many of our New Product Types and Enhanced Products will aim to address consumers' rising health consciousness. In particular, seafood is increasingly perceived to be an important component of a healthy diet, since it contains a variety of biologically active substances and has been increasingly consumed nowadays.

BUSINESS MODEL

We sell dried seafood, seafood snacks and frozen seafood. We also sell algae and fungi. We regularly review and refresh the design of our packaging to increase their appeal to end consumers. We (i) source high quality raw and processed raw materials, (ii) sub-contract processing of the unprocessed raw materials to third parties, (iii) package products at our own packaging facilities or through our sub-contractors who also processed our raw materials, and (iv) sell packaged products under our own brand “Wofan” (沃豐). We also sell dried seafood, algae and fungi without packaging, and sell frozen seafood at a seafood wholesale market. Please refer to the section headed “Business — Sub-contractors” in this prospectus for details of sub-contracting arrangement.

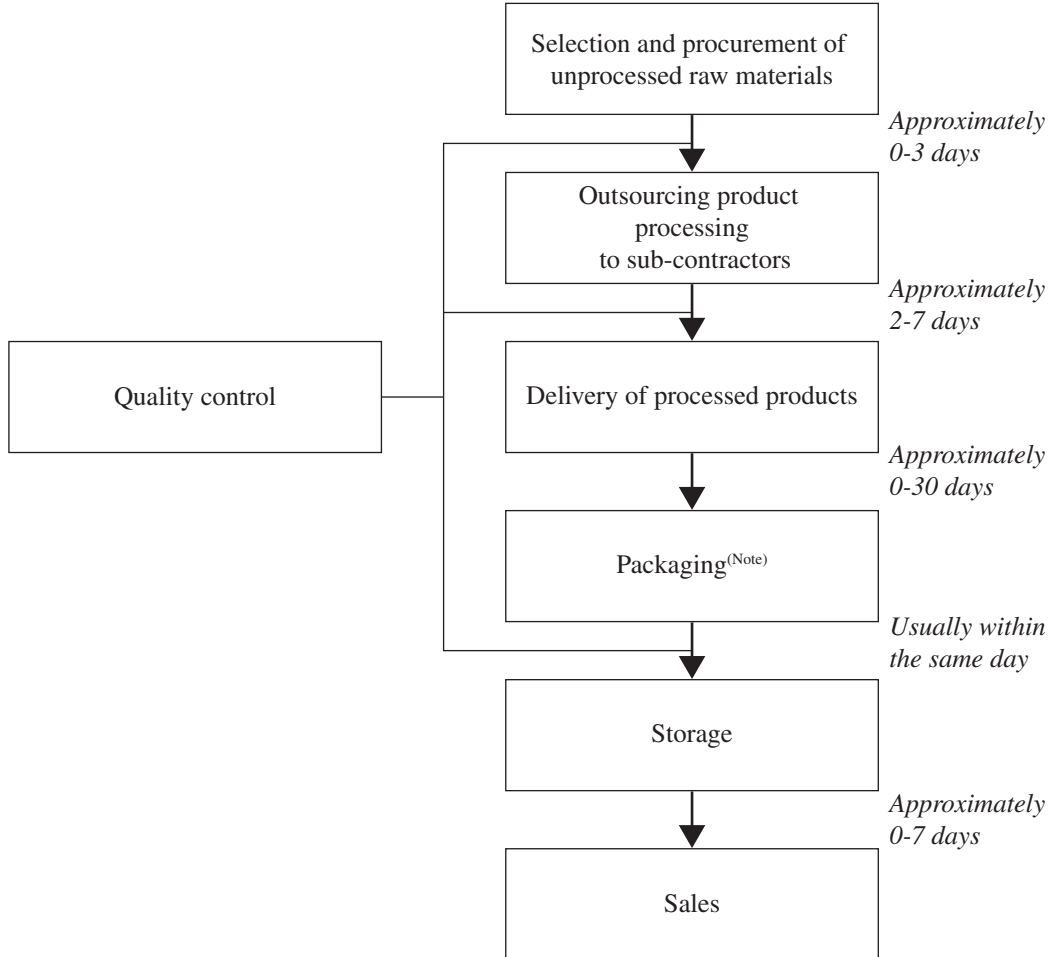
We mainly sell our products to supermarkets, trading companies, convenience stores and other customers that are based in the PRC. We also sell our frozen seafood at a seafood wholesale market .

Dried Seafood

Our dried seafood are produced from raw seafood, which we generally select and purchase from fishermen. Our sub-contractors thaw, slaughter, clean and dry the raw seafood. Then, they deliver the processed products to us. We also purchase dried seafood from corporate suppliers. We package certain dried seafood at our packaging facility and sell others without packaging. We store the products at our warehouse until they are sold.

BUSINESS

The following diagram illustrates the typical production process of our dried seafood:



Note: Some of our dried seafood are sold without packaging. A portion of our dried seafood, algae and fungi are already processed when purchased from corporate suppliers. These products are then packaged, stored and sold.

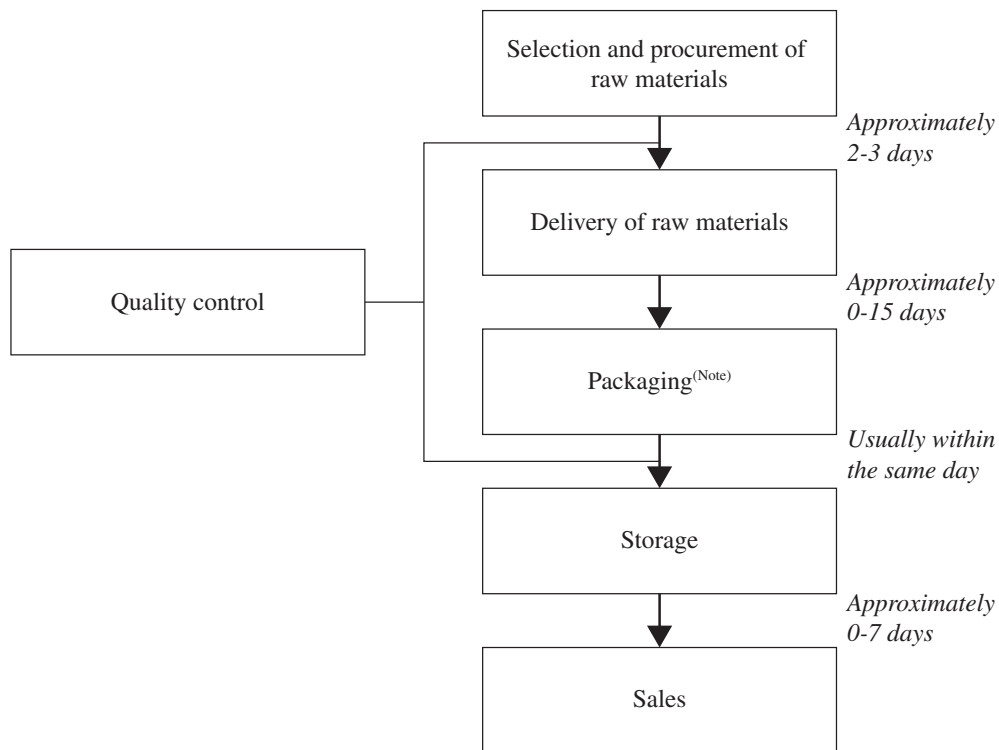
Algae and Fungi

Our algae and fungi are produced from raw seaweed, sea tangle and fungi selected and obtained from algae farmers and corporate suppliers. The production processes of these algae and fungi are similar to those of our dried seafood as set out in the above diagram. A majority of our Group’s algae and fungi products are packed by sub-contractors. We also package certain algae and fungi at our packaging facility in plastic wraps or bags and sell others without packaging. We store the products at our warehouse until they are sold.

Seafood Snacks

Our seafood snacks are produced from raw seafood selected and obtained from corporate suppliers. They generally deliver the processed seafood, which we package at our facility in plastic bags or boxes, although our sub-contractors may also package the products for us at our request.

The following diagram illustrates the typical production process for our seafood snacks:



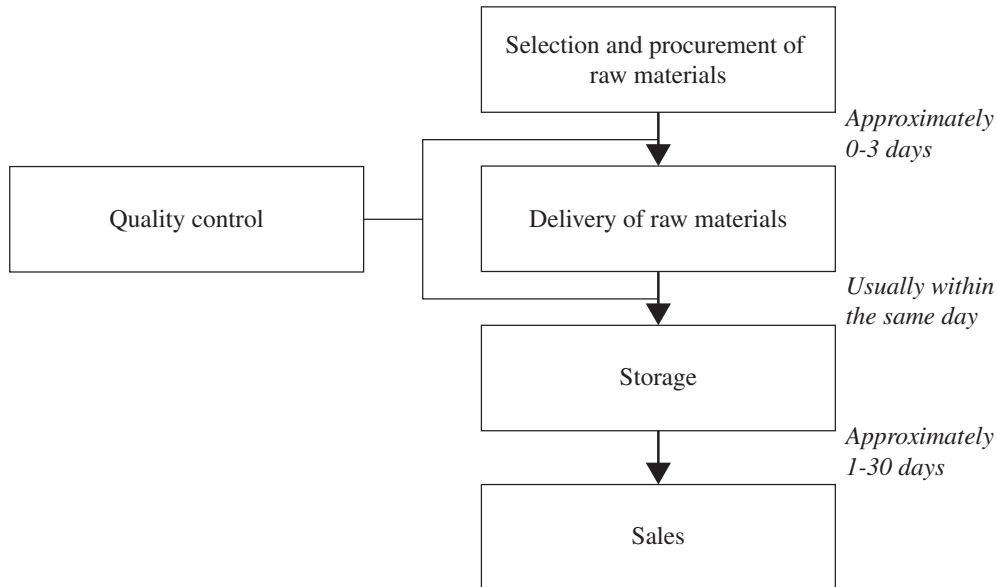
Note: Some of our seafood snacks are packaged by our suppliers.

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Frozen Seafood

Our frozen seafood are produced from raw seafood selected and obtained from fishermen. We do not process or package the frozen seafood. We sell the products at a seafood wholesale market.

The following diagram illustrates the typical production process of our frozen seafood:



BRAND AND PRODUCTS

We have a large and diverse product portfolio, including:

- dried seafood, including dried cuttlefish (墨魚乾), dried squid (魷魚乾), dried peeled prawn (蝦仁乾) and dried scallop (干貝)
- algae and fungi, including seaweed (紫菜), sea tangle (海帶), agar (石花菜) and sea mustard (裙帶菜) and dried mushroom (香菇)
- seafood snacks, including grilled fish crisps (烤魚片), dried shredded squid (魷魚絲), shredded squid fillet (手撕魷魚片), crispy yellow croaker (香酥小黃魚) and braised filefish (香燜馬面魷)
- frozen seafood, including hairtail (帶魚) and pomfret (鯧魚)

During the Track Record Period, we sold all of our packaged dried seafood, algae and fungi and seafood snacks under our own brand “Wofan” (沃豐). We also sold our frozen seafood at a seafood wholesale market and sold some products without packaging.

BUSINESS

The table below sets out a breakdown of our revenue categorised by product types during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Dried seafood	127,143	62.1	212,217	57.8	255,817	54.7
Algae and fungi ⁽¹⁾	50,797	24.8	113,643	31.0	170,831	36.5
Seafood snacks	1,607	0.8	24,075	6.6	33,975	7.2
Frozen seafood	25,300	12.3	17,033	4.6	7,416	1.6
	<u>204,847</u>	<u>100.0</u>	<u>366,968</u>	<u>100.0</u>	<u>468,039</u>	<u>100.0</u>

Note:

- We began to sell fungi (including dried mushroom and other types of mushroom products) during the year ended 31 December 2015 and generated revenue of approximately RMB4.5 million for the year ended 31 December 2015 and approximately RMB8.0 million for the year ended 31 December 2016.

The following table sets forth our revenue, gross profit margin and average selling prices in relation to the sale of packaged products and products without packaging during the Track Record Period:

	For the year ended 31 December											
	2014				2015				2016			
	Revenue	Sales volume	Gross profit margin	Average selling price	Revenue	Sales volume	Gross profit margin	Average selling price	Revenue	Sales volume	Gross profit margin	Average selling price
	RMB'000	kg (in '000)	(%)	(RMB per kg)	RMB'000	kg (in '000)	(%)	(RMB per kg)	RMB'000	kg (in '000)	(%)	(RMB per kg)
Packaged products	90,976	1,118	24.0	81.4	221,686	2,486	26.7	89.2	298,073	2,868	26.2	104.0
Unpackaged products	113,871	2,244	22.9	50.7	145,282	2,941	24.0	49.4	169,966	2,597	23.7	65.4
Total	<u>204,847</u>	<u>3,362</u>			<u>366,968</u>	<u>5,427</u>			<u>468,039</u>	<u>5,465</u>		

BUSINESS

During the Track Record Period, we sold our packaged products through supermarkets, trading companies, convenience stores and other sales channels, such as food companies, gift stores and e-commerce retailers. We also sold unpackaged products through these sales channels, as well as at a seafood wholesale market for our frozen seafood products. The gross profit margin and average selling prices of packaged products are higher than those of unpackaged products in general during the Track Record Period.

We have a comprehensive product portfolio with different raw materials, flavouring and packaging and consider each product to be distinctive. We seek to differentiate ourselves from our competitors by providing our customers with a broad and convenient choice of product offerings, which creates additional opportunities to drive overall sales to our customers. Pursuant to this strategy, we introduced 157 New Product Types and Enhanced Products during the Track Record Period, of which 77 were our dried seafood, 53 were our seafood snacks and 27 were our algae and fungi. These products mainly represent New Product Types and Enhanced Products, such as sliced octopus (美人章魚片), Korean-style seaweed (韓式海苔) and grilled fish crisps (烤魚片). We have also introduced new gift box products such as seafood gift box, algae and fungi gift box and seafood snack gift box during the Track Record Period. As at 31 December 2016, we offered 203 types of products, which comprised 95 dried seafood, 35 algae and fungi, 62 seafood snacks and 11 frozen seafood.

BUSINESS

Our Directors confirm that the suggested retail price of our products did not fluctuate along with the actual selling prices during the Track Record Period. We do not have control over our customers' pricing policies. The supply agreements entered into between us and our customers generally do not contain specific provision in relation to specific retail price. However, we typically provide suggested retail prices of our products for our customers' reference and consideration. It should be noted that the suggested retail prices are non-binding and the customers are free to sell the products at their own retail prices. The tables below set forth the number of product types, suggested retail price range and typical shelf life of our major products:

Dried Seafood

Product Description

Sample Picture

Dried cuttlefish (墨魚乾)

Number of product types – 6

Suggested retail price – RMB45-180 per package

Typical shelf life – 12 months



Dried squid (魷魚乾)

Number of product types – 6

Suggested retail price – RMB17-58 per package

Typical shelf life – 12 months



Dried scallop (干貝)

Number of product types – 2

Suggested retail price – RMB80-188 per package

Typical shelf life – 12 months



Dried peeled prawn (蝦仁乾)

Number of product types – 1

Suggested retail price – RMB62-70 per package

Typical shelf life – 12 months



Dried small shrimp (乾蝦皮)

Number of product types – 4

Suggested retail price – RMB12-18 per package

Typical shelf life – 12 months



Algae and Fungi

Algae

Product Description

Sample Picture

Seaweed (紫菜)

Number of product types – 7

Suggested retail price – RMB6-33 per package

Typical shelf life – 12 months



Sea tangle (海帶)

Number of product types – 6

Suggested retail price – RMB7-20 per package

Typical shelf life – 12 months



Agar (石花菜)

Number of product types – 1

Suggested retail price – RMB9-10 per package

Typical shelf life – 12 months



Sea mustard (裙帶菜)

Number of product types – 2

Suggested retail price – RMB9-13 per package

Typical shelf life – 12 months



BUSINESS

Fungi

Product Description

Sample Picture

Dried mushroom (香菇)

Number of product types – 1

Suggested retail price – RMB45-50 per package

Typical shelf life – 12 months



Shiitake mushroom (冬菇)

Number of product types – 1

Suggested retail price – RMB37-43 per package

Typical shelf life – 12 months



Flower mushroom (花菇)

Number of product types – 1

Suggested retail price – RMB54-60 per package

Typical shelf life – 12 months



Brown beech mushroom (茶樹菇)

Number of product types – 1

Suggested retail price – RMB30-36 per package

Typical shelf life – 12 months



Seafood Snacks

Product Description

Sample Picture

Grilled fish crisps (烤魚片)

Number of product types – 5

Suggested retail price – RMB8-15 per package

Typical shelf life – 8 months



Dried shredded squid (魷魚絲)

Number of product types – 4

Suggested retail price – RMB5-35 per package

Typical shelf life – 8 months



Shredded squid fillet (手撕魷魚片)

Number of product types – 1

Suggested retail price – RMB13-14 per package

Typical shelf life – 9 months



Crispy yellow croaker (香酥小黃魚)

Number of product types – 2

Suggested retail price – RMB13-28 per package

Typical shelf life – 8 months



Braised filefish (香燜馬面魷)

Number of product types – 2

Suggested retail price – RMB6-19 per package

Typical shelf life – 8 months



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Frozen Seafood

Product Description

Sample Picture

Hairtail (帶魚)

Suggested retail price – RMB28-43 per package

Typical shelf life – 9 months



Pomfret (鯧魚)

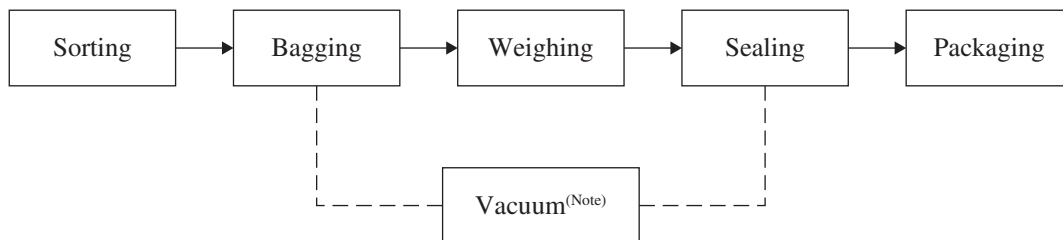
Suggested retail price – RMB28-39 per package

Typical shelf life – 9 months



PACKAGING

During the Track Record Period, we only packaged and sold our own products. Our packaging process mainly rely on manual labour. The following flowchart sets forth the packaging process in details:



Note: Some of our products are required to be vacuumed during packaging process.

We generally sell our packaged products either in packs or in gift boxes with our brand “Wofan” (沃豐). We regularly review and refresh the design of our packaging to increase their appeal to end consumers. We also sell our frozen seafood and unpackaged products without our brand. Our packaging staff carry out packaging processes at our packaging facility in Xiamen, Fujian Province. Major steps of packaging generally include sorting products, placing products in bags or in boxes, weighing, vacuuming, sealing the packaged products and packing the packaged products in boxes.

For details of the key steps in the production of each of our key products, please refer to the section headed “Business Model” of this section.

BUSINESS

Our Packaging Facility

Our current packaging facility, based in Xiamen, Fujian Province, is located in a single-floor premises of approximately 2,294.67 sq.m. of an industrial building leased from a connected person. The entire packaging facility consists of packaging lines, warehousing and office space, which is catered to package most types of food products produced by us, including dried seafood and algae. The following table sets out the capacity of our packaging facility during the Track Record Period:

<u>Year ended 31 December</u>	<u>Actual Output (packs)</u>	<u>Planned Output Capacity ⁽¹⁾ (packs)</u>	<u>Utilisation Rate ⁽²⁾</u>
2014	5,676,490	10,800,000	52.6%
2015	10,570,649	10,800,000	97.9%
2016	11,476,144	10,800,000	106.3%

Note:

1. Planned output capacity means the annual packaging capacity of our packaging lines. It is arrived by multiplying the planned production days for the year (i.e. 250 days) by the daily packaging capacity. The daily packaging capacity is calculated based on the estimated output during one shift of 8 working hours per day with three production lines in operation (i.e. 43,200 packs).
2. The utilisation rate is derived from dividing the actual output by the planned output capacity.

For the years ended 31 December 2014, 2015 and 2016, the overall utilisation rate of our packaging facility were approximately 52.6%, 97.9% and 106.3%, respectively. The increase was due to an increase in the number of packaging staff engaged in our production department and an increase in the volume and sales of our products. For the years ended 31 December 2014, 2015 and 2016, our actual packaging output were approximately 5.7 million packs, 10.6 million packs and 11.5 million packs, respectively. During the Track Record Period, we did not outsource standalone packaging process to sub-contractors though we would in certain instances instruct our sub-contractors, which provided food processing services, to package some of our products. To cope with the growing demand of our products, we plan to continue to increase the packaging capacity of our packaging facility and expect to outsource the packaging and food processing process of our dried seafood and algae to our existing sub-contractors when our packaging output exceeds the planned output capacity per annum (i.e. 10.8 million packs). As such, we expect that there will be an increase in the volume of products to be processed and packaged by our sub-contractors which causes an increase in the sub-contracting fees, which is a component of our costs of sales. For the hypothetical impact of the variations in cost of sales on our gross profit, please refer to the section headed “Financial Information — Description of Selected Income Statement Items — Cost of sales — Breakeven analysis”. We will also consider to increase the working hours of each shift of our packaging staff and increase the number of shifts to increase our output capacity. In addition, we plan to acquire new packaging facilities, including one in Xiamen, Fujian Province for packaging and food processing. Please refer to the section headed “Business — Packaging — Acquisition of Additional Packaging Facilities and Equipment” in this prospectus for further details.

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We have a set of criteria for selecting our sub-contractors and we also adopt stringent quality control procedures to ensure the quality, safety and reliability of the products supplied by our sub-contractors. For further details of the criteria in selecting our sub-contractors and quality control measures, please refer to the sections headed “Business — Sub-contractors” and “Business — Our Quality Control and Food Safety” in this prospectus.

During the Track Record Period, we had not experienced any significant natural or other forms of disaster or shortage of electricity involving our Group’s packaging facility which can materially harm or disrupt our Group’s operations.

Acquisition of Additional Packaging Facilities and Equipments

We intend to enhance our packaging capabilities by (i) acquiring a piece of land for construction of our new purpose-built packaging facilities for dried seafood through internally generated funds and (ii) purchasing certain packaging equipment that meets our stringent quality requirements for packaging and food processing of dried seafood and algae through the use of proceeds from the Global Offering and any shortfall from our internal resources.

Packaging facilities for dried seafood

We have identified a piece of land in Xiamen, Fujian Province suitable for the construction of our new packaging facilities for dried seafood. On 24 October 2016, we entered into a letter of intent with an Independent Third Party to acquire the land use right of such land parcel for industrial use with a site area of 28,753.26 sq.m.. We expect to enter into a land use right transfer agreement and complete the transfer in the third quarter at 2017, obtain the construction permit by December 2017 and complete construction of the first phase of this dried seafood packaging facility by end of 2018. We plan to utilise internal resources to fund the land use right acquisition, which we estimate to be approximately RMB13.5 million, and the construction of the dried seafood packaging facility, which we estimate to be approximately RMB29.0 million. The acquisition of land for the construction of our new packaging facilities will be funded by our existing cash reserves and we believe that it is conducive to our long term development considering the reasons set out below:

- (a) We plan to build a factory building on this piece of land to equip our new customised packaging facilities which have specific requirements not catered by available facilities for leasing. Hence, it will be more commercially sensible to build such buildings and facilities on our own land instead of a leased one given the uncertainty and potential disruption that may be involved in leasing the land or buildings;
- (b) At the start-up stage, we preferred renting spaces for our packaging facilities since we took a cautious approach when incurring financing and capital commitment. However, as our operation gradually matured, we believe that a capital commitment in the amount of RMB13.5 million for the land acquisition and RMB29.0 million for the construction of the dried seafood packaging facility is justifiable having considered our current financial strength and our future needs and development; and

- (c) Based on the information available from ASKCI, the supply of industrial land in Xiamen become limited in recent years mainly because of the restructuring of the land use policy, and the escalating land demolition costs and government reserve costs which collectively led to a decrease in the supply of industrial land in Xiamen. Therefore, we are of the view that the initial outlay of cash in acquiring the land can be compensated by the long term rental payment and the uncertainty involved in leasing of a land for this purpose. In addition, we may enjoy long-term appreciation in the value of the property we are prepared to acquire.

For the reasons stated above, we believe that the size of the land proposed to be acquired for housing our new packing facilities and our plan to incur substantial sum to expand our production capacity are based on justifiable commercial bases. Even though we only spent an insignificant amount of historical cost in purchasing our existing packaging facilities, we are of the view that the amount of historical costs has very little bearing on our current expansion plan due to the different stage of our development. The packaging equipment that we intend to acquire are able to provide high quality and modernised packaging solutions which will benefit the packaging process from different perspectives including, preserving food quality, cost saving, enhancing efficiency and productivity, and improvement in package design. The new packaging equipment for dried seafood that we intend to purchase is expected to have a full range of functionalities, including automated sorting, cleaning, food processing, packaging sealing, labelling, packing and wrapping, which are designed for seafood products. Distinguished from our existing packaging equipment, the new packaging equipment for dried seafood possesses more modernised and enhanced features which involves more automation and less manual procedures. We have sourced quotations from various packaging equipment suppliers and considered that the costs proposed to be incurred to acquire the target packaging equipment are competitive. Given the limitation of the factory building at where our current packaging facilities is located, we do not think it is desirable or practical to expand our packaging capability in the existing site.

The purchase of the aforementioned new equipment for packaging of dried seafood for a total consideration of approximately RMB15.0 million (equivalent to approximately HK\$17.2 million) will be funded by the net proceeds from the Global Offering. Such dried seafood packaging equipment will be put in use in the new dried seafood packaging facilities in Xiamen.

Packaging equipment for algae

Furthermore, on 27 October 2016, we entered into a letter of intent with an Independent Third Party to purchase certain equipment for packaging algae for a total consideration of approximately RMB11.3 million, of which RMB11.0 million (equivalent to approximately HK\$12.6 million) will be funded by the net proceeds from the Global Offering and the remaining from our internally generated funds. The new packaging equipment for algae that we intend to purchase is expected to have functionalities such as sorting, package sealing, labelling, packing and wrapping, which are designed for algae products. In addition, a drying and light-adjusted functioning storage tailor-made for algae products is also included. Distinguished from our existing packaging equipment, the new packaging equipment for algae possesses more modernised and enhanced features which involves more automation and less manual procedures. We expect to sign a formal purchase agreement shortly after Listing. Pursuant to the letter of intent, we expect to lease the premises in Fuding, Fujian Province from the aforesaid Independent Third Party where the aforesaid algae packaging equipment is currently located. Given the light-sensitive nature of algae, we consider that it is important to locate a premise for establishing our algae packaging facilities which is closer in proximity with the location of the cultivation base of raw algae as consistent with the choice

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of our current sub-contractors for algae products. The location where we plan to lease for the purpose of establishing our algae packaging facilities is within the locality of where the majority of our algae was packaged during the Track Record Period and is around 40 kilometers away from the cultivation base of our raw algae. Packaging facilities located long distance away makes transportation impractical given the incremental costs and additional requirements involved in ensuring raw algae or semi-processed algae that are normally transported in bulk to be protected under light-proof environment. By establishing our own packaging facilities for algae, we can gradually reduce our reliance on our sub-contractors in the packaging process and have better control over the packaging process, and having more flexibility in modifying and upgrading the packaging process of our algae products for the purpose of enhancing food quality and further expanding our production capacity at our own pace should the demand require. We believe that a combination of organic expansion of our own packaging facilities as well as cooperation with the wide availability of sub-contractors in our algae sourcing location would allow us to match the expected increasing market demand of our algae products in the future.

The material terms of the lease have not been finalised and are subject to further negotiation between the parties but we plan to lease an area of approximately 3,000 sq.m. to house the algae packaging equipment and the relevant rental payment will be determined with reference to the market rate of similar premises. As Fuding is not a highly populated area and land supply (especially industrial land) is not in shortage, we believe that we will be able to enter into a lease with relatively long lease term and automatic renewal clause and we consider the risk of relocation in future is relatively low. We consider leasing the premises instead of housing the algae packaging equipment in the new packaging facilities for dried seafood which was to be built in Xiamen principally because (i) our new packaging facilities in Xiamen, located around 400 kilometers away from the cultivation base of raw algae, are too far away for the purpose of transporting raw algae or semi-processed algae. In addition, they are designed to equip with new and upgraded packaging equipment which are tailor-made for dried seafood specifically; and (ii) the leased location in Fuding, Fujian Province is closer to the cultivation base of raw algae than Xiamen where the new packaging facilities for dried seafood will be located, hence can avoid over-exposure of algae materials to light during the transportation process and can reserve the colour and taste of the algae products.

SALES AND PROMOTION

Our sales and promotion team covers a number of the major cities in China. Our customers include supermarkets and convenience stores with presence covering most provinces of China. We do not have our own retail stores and we generally sell our products to the end consumers via our customers. For certain supermarkets and convenience stores customers, we enter into contracts directly with their headquarters and deliver our products mainly to these headquarters, which will then dispatch our products to their respective branches and/or retail stores. We therefore do not have control over the points of sale of our products and we rely on our sales team to promote and sell our products to our customers. As at 31 December 2016, we had a sales team of 56 sales representatives and 207 promoters located in nine provinces and three municipalities in the PRC. The geographical locations in which our sales representatives and promoters should be stationed are primarily determined based on our customers' feedback and request and our expansion plan.

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The table below sets forth the revenue contribution from our sales channels during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	RMB ('000)	% to total revenue	RMB ('000)	% to total revenue	RMB ('000)	% to total revenue
Supermarkets	102,470	50.0	168,813	46.0	241,738	51.6
Trading companies	30,808	15.0	85,153	23.2	100,106	21.4
Convenience stores	10,362	5.1	18,265	5.0	21,479	4.6
Wholesale market						
for seafood ⁽¹⁾	25,300	12.4	17,033	4.6	7,416	1.6
Other sales channels	35,907	17.5	77,704	21.2	97,300	20.8
<i>Food companies</i>	9,922	4.8	30,552	8.4	49,029	10.5
<i>Gift stores</i>	10,374	5.1	16,278	4.4	21,674	4.6
<i>E-commerce retailers</i>	6,830	3.3	18,069	4.9	20,822	4.4
<i>Others</i>	8,781	4.3	12,805	3.5	5,775	1.3
Total	<u>204,847</u>		<u>366,968</u>		<u>468,039</u>	

Notes:

1. During the Track Record Period, we sold all of our frozen seafood at a seafood wholesale market in Xiamen, Fujian Province.

Our sales and promotion team plays a significant role in the expansion of our business as well as exploring potential markets and promoting our products. We manage our sales and promotion team from our sales office at Xiamen, Fujian Province, led by our chief sales officer, Ms. Lin Lizhen, who is responsible for sales strategies such as formulating and ensuring implementation of sales plans, price lists and sales analysis and overseeing sales representatives and promoters at designated areas. Ms. Lin, who joined our Group since April 2012, is responsible for sales and marketing function of the Group and during the four years working with us, has helped in expanding sales to our existing top customers. Our sales and promotion team, led by Ms. Lin (who is supervised and guided by the executive Directors), plays a significant role in the expansion of our business. Prior to joining the Group, Ms. Lin has accumulated more than five years of collective working experience from 2006 to 2012 in the sales and marketing of alcoholic products at Xiamen Xuri Fubang Development Company Ltd (廈門旭日富邦發展有限公司). Such business acumen, skills and know-how gained in one sector of the food and beverages sector could be easily transferable to our business when she joined us in 2012. For more details of Ms. Lin's work experience, please refer to the section headed "Directors, Senior Management and Employees — Senior Management".

Our sales representatives are front-line staff responsible for identifying new customers, securing sales orders managing order fulfilment and maintaining customer relationship.

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We believe that the use of promoters effectively stimulates our in-store product sales, promotes our “Wofan” brand and delivers product knowledge, including knowledge about health benefits, to end consumers. Since supermarkets have the local knowledge and experience on how to best promote products in their stores (including when and where to set up sign boards, the launching of themed promotion campaigns and the location of the designated sales counters in stores), promoters are hired by us in alignment with the supermarket’s local sales and promotion strategy and practice. The day-to-day management and rosters of duties are managed by supermarkets individually.

Promoters receive commissions based on our total sales to a particular supermarket chains rather than the incremental increase in revenue they drive in stores because the incremental increase in revenue can be difficult to measure or tracked to individual performance. Our Directors believe the commission provides sufficient incentives to promoters to promote the “Wofan” brand, introduce products and stimulate sales to supermarket customers. Our promoters are responsible for in-store sales promotion and marketing activities at designated stores of our supermarket customers, such as product demonstration and collection of customers’ feedback of our products and market information. These promoters provide services exclusively to the assigned customers and deployment is determined by these customers.

Since the establishment of our Group, we have been focusing on brand building and expansion of sales and promotion team and therefore a large portion of our operating profits have been utilised for marketing and promotion activities. Prior to the Track Record Period, we mainly focused on expanding our marketing and sales channels through media penetration in order to establish our brand and product recognition. For instance, we carried out a series of advertising and promotion activities throughout 2010 to 2012, which included television commercials and distribution of promotion booklets to consumers. As our Directors considered that our brand “Wofan” started to receive more attention and awareness in the market, we have adopted a more cost-effective promotion strategy given the prevailing stage of development of our brand since 2013 by shifting the focus of our marketing strategy from media penetration to direct-contact promotion. We collaborated with our supermarket customers and sent more direct promoters to more designated stores of our supermarket customers to interact with our target consumers and promote our products directly. As a result of the direct-contact promotion strategy, our market share increased during the Track Record Period. Based on the information provided by our industry consultant, the table below sets forth information about our market share of each product type during the years indicated:

	For the year ended 31 December			
	2013	2014	2015	2016
Dried seafood	0.40%	0.50%	0.77%	0.93%
– Dried seafood (mass-to-mid market products ⁽¹⁾) . . .	0.71%	0.83%	1.19%	1.37%
Algae and fungi	0.03%	0.24%	0.50%	0.74%
Seafood snacks	0.08%	0.02%	0.22%	0.32%
Frozen seafood	0.016%	0.022%	0.014%	0.006%

(1) The term “mass-to-mid market products” is defined to include mid-range dried seafood made with raw materials such as squid, octopus, shrimps, scallops and shellfish through the process of dehydration and drying.

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In general, the supply agreements we entered into with our supermarkets customers are silent on direct-contact promotion strategy, except for the supply agreement entered into with Customer B. Under the supply agreement between us and this customer, we are responsible for product promotion activities in this customer's supermarkets based on its annual promotion plan and we shall bear all related promotion-related expenses. Promotion-related expenses and other expenses incurred by us for stationing our promoters in the supermarket customers' outlets include the cost for (i) setting up of promotion booths, (ii) design and production of promotion posters, and (iii) arranging mini televisions, cookware and other tools and consumables for in-store demonstration for end consumers to touch, smell or taste our products. We are not required to pay to our supermarket customers in any form for shelf space and/or stationing our promoters in their outlets.

During the Track Record Period, the headcount of our sales and promotion team increased significantly from 157 staff as at 1 January 2014 to 264 staff as at 31 December 2016. As at the Latest Practicable Date, our sales and promotion team comprised of 292 staff, with one chief sales officer, 56 dedicated sales representatives and 235 promoters across different parts of China. We pay commissions to our sales personnel based on their sales performance as an incentive. Our sales and promotion strategy is to maintain a good relationship with the existing customers and continue to identify new customers so that we can increase our sales.

As at 31 December 2016, more than 170 of our sales representatives and promoters, representing more than 64.4% of the our total number of sales representatives and promoters, are located in Fujian and Guangdong Provinces, with the remaining spreading widely in more than 10 different provinces or municipalities in the PRC. In considering the geographical locations in which our sales representatives and promoters will be stationed, we consider factors including (i) the feedback and request from our customers, which to our understanding is mainly based on the sales performance of our food products in the retail stores located in different provinces or cities of the PRC; and (ii) our expansion plan which mainly based on market data available on consumers' preference and consumers' spending power and other relevant data. The above factors also form the basis for our Group to evaluate and monitor the geographical coverage of our customers.

To promote our products and enhance our brand recognition, we undertake advertising and promotional campaigns. Our advertising and promotional activities primarily involve setting up promotional booth at the supermarkets where our promoters (i) explain the different tastes, features, ingredients and nutritional value of our products to end consumers, (ii) demonstrate different methods for cooking our products, (iii) offer samples of our products for end consumers to touch, smell or taste, (iv) hand out product brochures to end consumers, and (v) liaise with the supermarkets on similar store-wide promotion events. We will continue to promote publicity and brand awareness by cooperating with our supermarket customers and have our promoters stationed at selected supermarkets.

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CUSTOMERS

Our customers are primarily supermarkets, trading companies, convenience stores, food companies, gift stores and e-commerce retailers, who collectively accounted for approximately 98.4% of our revenue in 2016. We believe our products were primarily sold in Fujian and Guangdong Provinces through the network of our customers. We also sold all of our frozen seafood at a seafood wholesale market in Xiamen, Fujian Province to end consumers during the Track Record Period, which accounted for approximately 1.6% of our revenue in 2016. For the years ended 31 December 2014, 2015 and 2016, our five largest customers accounted for approximately 38.0%, 35.1% and 33.8% of our revenue, respectively; and our largest customers accounted for approximately 10.8%, 9.7% and 9.2% of our revenue, respectively. None of our Directors, their respective associates or Shareholders (who or which, to the best knowledge of our Directors, owns 5% or more of the total issued share capital of our Company) had an interest in any of our five largest customers during the Track Record Period.

The following table sets forth the movements of customers in each sales channel during the years ended 31 December 2010 to 2016:

	For the year ended 31 December						
	2010	2011	2012	2013	2014	2015	2016
	Number of customers ⁽¹⁾						
Supermarkets							
At the beginning of the year	11	12	20	27	29	29	34
Introduction of new customers	1	8	7	2	–	5	10
Loss of old customers	–	–	–	–	–	–	(11)
At the end of the year	12	20	27	29	29	34	33
Trading companies							
At the beginning of the year	7	10	15	22	18	23	29
Introduction of new customers	3	5	9	1	5	6	6
Loss of old customers	–	–	(2)	(5)	–	–	(2)
At the end of the year	10	15	22	18	23	29	33
Convenience stores							
At the beginning of the year	2	3	3	3	3	4	4
Introduction of new customers	1	–	–	–	1	–	–
Loss of old customers	–	–	–	–	–	–	–
At the end of the year	3	3	3	3	4	4	4
Other sales channels ⁽²⁾							
At the beginning of the year	8	11	15	27	22	30	33
Introduction of new customers	3	4	15	1	8	6	3
Loss of old customers	–	–	(3)	(6)	–	(3)	(7)
At the end of the year	11	15	27	22	30	33	29
Total ⁽³⁾							
At the beginning of the year	28	36	53	79	72	86	100
Introduction of new customers	8	17	31	4	14	17	19
Loss of old customers	–	–	(5)	(11)	–	(3)	(20)
At the end of the year	36	53	79	72	86	100	99

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Notes:

1. The number of customers represents customers who had placed sales order with us during the years indicated above.
2. Other sales channels include food companies, gift stores and e-commerce retailers and others.
3. Number of end consumers for frozen seafood are not accountable as sales of such products are mainly cash sales made to individuals at a seafood wholesale market.

During the years ended 31 December 2010, 2011 and 2012, we acquired 56 new customers. 47 of these new customers remained as our customers throughout the Track Record Period and in aggregate accounted for approximately 44.9%, 36.0% and 30.2% of our revenue for the years ended 31 December 2014, 2015 and 2016, respectively.

For the years ended 31 December 2014, 2015 and 2016, we had 86, 100 and 99 customers, respectively.

For the years ended 31 December 2014, 2015 and 2016, there was a general increase in the number of customers across each of our sales channels. In particular, a larger number of new customers were introduced during the years ended 31 December 2014 and 2015, which was a result of our efforts in expanding our sales channels through our expanded sales team.

During the Track Record Period, we have lost 23 customers, mainly due to our management's decision to terminate such business relationships as we were unable to reach favourable commercial terms with these customers. These customers in aggregate accounted for approximately 10.7%, 6.1% and nil of our revenue for the years ended 31 December 2014, 2015 and 2016, respectively. These 23 customers did not return any products to us during the Track Record Period and up to the Latest Practicable Date. Except for the one supermarket customer which was allowed to return unsold products to our Company under the terms of the relevant supply agreement, our Company generally does not accept return or exchanges of unsold products or expired products unless the products are defective or damaged as a result of packaging. For details of our Group's product return policy, please refer to "Business — Distribution and Logistic".

As at the Latest Practicable Date, our Directors do not anticipate material adverse change to the total number of customers for the year ending 31 December 2017.

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The following tables set out the profile of our five largest customers and sales derived from them during the Track Record Period:

For the year ended 31 December 2014

Name of Customer	Principal Business Activities of Customer	Major Products Sold	Approximate Years of Business Relationship with our Group	Approximate Aggregate Contributed Revenue ⁽⁶⁾ (RMB'000)	Approximate % of Total Revenue of our Group
A ⁽¹⁾	Operation of supermarkets	Dried seafood, algae and seafood snacks	12	22,038.4	10.8%
B ⁽²⁾	Operation of supermarkets	Dried seafood and algae	9	16,798.9	8.2%
C ⁽³⁾	Operation of supermarkets	Dried seafood and algae	8	15,840.3	7.7%
D ⁽⁴⁾	Operation of supermarkets	Dried seafood and algae	6	11,625.5	5.7%
E ⁽⁵⁾	Distribution and retail of consumer products	Dried seafood, algae and seafood snacks	5	11,486.8	5.6%

Notes:

1. Customer A is a subsidiary of an oversea listed company with operations covering China market. We offered a rebate of 1% of the invoice amount to Customer A and the total rebate given to Customer A amounted to approximately RMB245,000 for the year ended 31 December 2014.
2. Customer B was a subsidiary of a Hong Kong listed company with operations covering China and Hong Kong market and was subsequently ceased to be a subsidiary of the said Hong Kong listed company. We offered a rebate of 1% of the invoice amount to Customer B and the total rebate given to Customer B amounted to approximately RMB187,000 for the year ended 31 December 2014.
3. Customer C is a company listed on the Shenzhen Stock Exchange with operations covering China market.
4. Customer D was a company listed on the Hong Kong Stock Exchange with operations covering China market and was subsequently delisted.
5. Customer E is a subsidiary of a company listed on the Shenzhen Stock Exchange with operations covering China market.
6. The revenue reported is net of the rebates.

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For the year ended 31 December 2015

<u>Name of Customer</u>	<u>Principal Business Activities of Customer</u>	<u>Major Products Sold</u>	<u>Approximate Years of Business Relationship with our Group</u>	<u>Approximate Aggregate Contributed Revenue⁽⁶⁾</u>	<u>Approximate % of Total Revenue of our Group</u>
				(RMB'000)	
A ⁽¹⁾	Operation of supermarkets	Dried seafood, algae, fungi and seafood snacks	12	35,480.0	9.7%
B ⁽²⁾	Operation of supermarkets	Dried seafood, algae, fungi and seafood snacks	9	27,977.1	7.6%
C ⁽³⁾	Operation of supermarkets	Dried seafood, algae, fungi and seafood snacks	8	26,449.9	7.2%
E ⁽⁴⁾	Distribution and retail of consumer products	Dried seafood, algae, fungi and seafood snacks	5	20,614.7	5.6%
F ⁽⁵⁾	Distribution and retail of consumer products	Dried seafood, algae, fungi and seafood snacks	10	18,153.1	4.9%

Notes:

1. Customer A is a subsidiary of an oversea listed company with operations covering China market. We offered a rebate of 1% of the invoice amount to Customer A and the total rebate given to Customer A amounted to approximately RMB395,000 for the year ended 31 December 2015.
2. Customer B was a subsidiary of a Hong Kong listed company with operations covering China and Hong Kong market and was subsequently ceased to be a subsidiary of the said Hong Kong listed company. We offered a rebate of 1% of the invoice amount to Customer B and the total rebate given to Customer B amounted to approximately RMB310,000 for the year ended 31 December 2015.
3. Customer C is a company listed on the Shenzhen Stock Exchange with operations covering China market.
4. Customer E is a subsidiary of a company listed on the Shenzhen Stock Exchange with operations covering China market.
5. Customer F is a state owned enterprise with operations covering Fujian Province.
6. The revenue reported is net of the rebates.

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For the year ended 31 December 2016

<u>Name of Customer</u>	<u>Principal Activities of Customer</u>	<u>Major Products Sold</u>	<u>Approximate Years of Business Relationship with our Group</u>	<u>Approximate Aggregate Contributed Revenue⁽⁶⁾</u>	<u>Approximate % of Total Revenue of our Group</u>
				(RMB'000)	
A ⁽¹⁾	Operation of supermarkets	Dried seafood, algae, fungi and seafood snacks	12	42,966.5	9.2%
B ⁽²⁾	Operation of supermarkets	Dried seafood, algae, fungi and seafood snacks	9	37,926.6	8.1%
C ⁽³⁾	Operation of supermarkets	Dried seafood, algae, fungi and seafood snacks	8	32,607.8	7.0%
E ⁽⁴⁾	Distribution and retail of consumer products	Dried seafood, algae, fungi and seafood snacks	5	23,584.9	5.0%
F ⁽⁵⁾	Distribution and retail of consumer products	Dried seafood, algae, fungi and seafood snacks	10	21,258.3	4.5%

Notes:

1. Customer A is a subsidiary of an oversea listed company with operations covering China market. We offered a rebate of 1% of the invoice amount to Customer A and the total rebate given to Customer A amounted to approximately RMB472,000 for the year ended 31 December 2016.
2. Customer B was a subsidiary of a Hong Kong listed company with operations covering China and Hong Kong market and was subsequently ceased to be a subsidiary of the said Hong Kong listed company. We offered a rebate of 1% of the invoice amount to Customer B and the total rebate given to Customer B amounted to approximately RMB416,000 for the year ended 31 December 2016.
3. Customer C is a company listed on the Shenzhen Stock Exchange with operations covering China market.
4. Customer E is a subsidiary of a company listed on the Shenzhen Stock Exchange with operations covering China market.
5. Customer F is a state owned enterprise with operations covering Fujian Province.
6. The revenue reported is net of the rebates.

We are not aware during the Track Record Period that our Group has experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. Our Directors further confirmed that they are not aware any of our customers have experienced material financial difficulties that may materially affect our Group's business.

Distribution and Logistics

We primarily sell our products to (i) supermarkets (the “**supermarket customers**”) and (ii) trading companies, convenience stores, food companies, gift stores and e-commerce retailers (collectively the “**non-supermarket customers**”), which on-sell our products to their customers (who do not have any contractual relationships with us) and through transactions that we do not directly oversee. As at 31 December 2016, we had 33 supermarket customers and 66 non-supermarket customers. We endeavour to leverage on our supermarket and non-supermarket customers’ established access to local markets to reach the end consumers and to expand the breadth and depth of our market presence. We have maintained stable business relationships with these customers, the majority of which have more than four years of cooperation with us.

Non-supermarket Customers

As at 31 December 2016, our non-supermarket customers included 33 trading companies, four convenience stores and 29 food companies, gift stores or e-commerce retailers and others, the majority of which are located in Fujian and Guangdong Provinces. We generally enter into long-term framework supply agreements with our non-supermarket customers which set forth the following key terms:

- *Duration:* Effective until termination (see “Termination” below)
- *Designated Distribution Area:* None
- *Pricing Policy:* We set the price of our products on a “cost-plus” basis. Details of the pricing terms, such as the prices, actual quantities and types of products, are set out in the purchase order.
- *Suggested Retail Price:* None
- *Customer’s Quality Requirement:* None
- *Return of Products:* We generally do not accept returns or exchanges of unsold products or expired products unless the products are defective or damaged as a result of packaging.
- *Credit Term:* We grant credit terms to customers ranging from 30 to 60 days.
- *Settlement:* Generally by bank transfer
- *Non-competition:* We generally do not impose any competition-related restrictions.
- *Confidentiality:* Both parties undertake not to disclose any confidential information to any third party.
- *Use of our trade name:* We generally do not allow our customers to use our trade names, except that we authorised two e-commerce retailers to use our trade name “Wofan” on their websites which sell our products to end consumers.
- *Termination:* The agreement may be terminated by either party in the event of material breach by the other party or upon force majeure events.

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The agreements generally do not provide for exclusivity, minimum purchase commitments, sales targets, any rebate and incentive scheme, or targeted inventory levels.

Supermarket Customers

As at 31 December 2016, our supermarket customers included 33 national and regional supermarket store operators, to which we directly sell our products. We believe our relationships with these supermarket customers allow us to leverage on their access to their relevant national or regional markets to improve our sale performance and to establish our presence and build our brand in these markets.

We generally enter into long-term framework supply agreements with our supermarket customers with standardised terms similar to those for non-supermarket customers. With a view to fostering strong customer relationships, we entered into supply agreements with four supermarket customers during the Track Record Period with certain key terms in addition to or different from the standardised terms, including:

- We typically enter into annual or biennial supply agreements with these four supermarket customers and allow them to return products, expired or damaged at their premises after delivery or otherwise defective in circumstances similar to those in the standardised terms in accordance with the agreements. Pursuant to such arrangements, the total amount of returned products from these four customers during the Track Record Period was approximately RMB49,000. In addition, in the supply agreement with one of these four supermarket customers to whom we started supplying products since 2012, there was a term providing that products that remain unsold upon termination or the end of term of the supply agreement can be returned to us. The sale to this supermarket customer only accounted for in aggregate 1.3% of our total revenue during the Track Record Period and no products had been returned based on this contract term during the Track Record Period. We did not supply any products to this supermarket customer in 2016 and have not entered into any new supply agreement with this supermarket customer since the expiration of the supply agreement in March 2016. This supermarket customer also confirmed that it has already on-sold all products and will not return any products to us under the supply agreement. We have no plan to enter into any supply agreements with return clauses similar to this supply agreement. These supply agreements do not contain time or monetary limits on the amount of sales return.

The supply agreements with these four supermarket customers also contain specific terms in relation to product quality, including (i) the quality of our products should comply with the applicable PRC laws and regulations and the relevant industry standard and (ii) the remaining shelf-life period of our products is of acceptable duration, which generally should not be less than two-thirds of the total shelf-life written on the package of the products.

- For two supermarket customers which were among our top five customers, we offer a rebate of 1% of the invoice amount to them. The total amount of rebate given to these two customers for the years ended 31 December 2014, 2015 and 2016 amounted to approximately RMB432,000, RMB705,000 and RMB888,000, respectively. We recorded our revenue net of these rebates.

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Three of these four supermarket customers were among our five largest customers and accounted for in aggregate approximately 23.0% of our revenue during the Track Record Period. The remaining one supermarket customer accounted for in aggregate 1.3% of our revenue during the Track Record Period. Our revenue recognition policy for these four supermarket customers is the same as that for our other customers. We typically grant supermarket customers credit terms ranging from 30 to 90 days.

Relationship with our Supermarket and Non-supermarket Customers

Under the aforesaid supply agreements, we have an arm's length seller-buyer relationship with these customers. We retain no ownership over the products that we sell to them, and all significant risks and rewards associated with these products are transferred to them upon delivery and acceptance of products by them, after which we recognise our revenue. These customers on-sell our products to their customers (which we do not have any contractual relationships with) in transactions that we do not directly oversee.

To the best knowledge of our Directors, (i) it is the industry norm for food enterprises to sell their products through similar supermarket and/or non-supermarket customers; (ii) all of our supermarket and non-supermarket customers were Independent Third Parties, and none of them was wholly-owned or majority controlled by our current or ex-employees during the Track Record Period; and (iii) none of our customers was our supplier during the Track Record Period.

Management of Supermarket and Non-supermarket Customers

We select our supermarket and non-supermarket customers based on their sales network, familiarity with their target markets, financial strengths, credit records and operation scales. Our development and maintenance of stable sales channels to these customers is supported by various factors, such as (i) our record of working with carefully selected and reputable companies, which helps to avoid cannibalisation among them, (ii) our stable product supplies, and (iii) our large and diverse product portfolio, supplemented by an attractive and growing product pipeline.

To further reduce the potential risk of cannibalisation among these customers, we have implemented the following measures:

- we collect feedbacks regularly from our major customers regarding their sales performance to end customers in different geographical locations in the PRC;
- when selecting our new customers and considering renewal of agreement with our existing customers, we consider their respective geographical coverage as well as distribution channels in order to avoid potential competition among these customers within a region; and
- we conduct on-site inspections and communications with selected customers regularly, and at least once per year, to get a better understanding of their sales activities.

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Furthermore, we closely monitor the performance of these customers by conducting annual reviews on their performance and, based on result of our reviews, we determine whether to continue our business relationships with them. We evaluate their performance, based primarily on the following factors:

- maintenance of creditworthiness;
- development and expansion of sales network;
- improvement in warehousing facilities and delivery capabilities;
- improvement in operating capabilities; and
- improvement in overall sales performance.

By working with selected and reputable supermarket and non-supermarket customers, we are able to effectively manage them through the above measures to ensure that they comply with the terms and conditions of their relevant framework supply agreements with us. As such, in case we discover any non-compliance or performance issues, we can timely inform them to cease the non-compliant activities or improve their performance. The above procedures help ensure that our sales to these customers reflect genuine market demand and mitigate the risk of inventory accumulation in the sales channels. We are not aware of any material accumulation of stock by our customers during the Track Record Period.

During the Track Record Period, (i) we did not provide financing to any of these customers except for credit terms we granted to them under the relevant supply agreements; (ii) we did not have any material disputes with our customers and did not commit any material breach of the supply agreements; and (iii) there were no material product returns from these customers. Please refer to the section headed “Business — Customers — Sales Returns and Recall Policies” in this prospectus for further details.

As these customers are all Independent Third Parties carefully selected by us and prudently managed in accordance with the above measures and procedures during the Track Record Period, our Directors are of the view, and the Sole Sponsor concurs, that the significant increase in our Group’s revenue during the Track Record Period was not due to channel stuffing or cannibalisation among our customers.

We also engaged a reputable independent advisory firm to provide services, for the performance of analytical procedures on our revenue, advertising and promotion costs, trade receivables and inventory from financial years of 2010 to 2016 (the “**Analytical Procedures Period**”); and internal control assessments over our revenue, selling and distribution expenses, sales return and bad debt provision. The independent advisory firm had not identified any factors from their analytical procedures work scopes that contradict our Group’s increasing trend of revenues during the Analytical Procedures Period and our conclusion above that there is no indications of channel stuffing.

All amounts and factors supporting their work scopes were provided by our management and our customers during the interviews and warehouse visits, and also by our sales representatives. The independent advisory firm has not performed any audit or validation of information contained in their report in respect of the above analytical procedures, which is non-assurance in nature.

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Our Logistics Capabilities

During the Track Record Period, in light of the fact that most of our customers were located within or near to Xiamen, Fujian Province, our logistics requirements were not significant and we primarily utilised third-party logistics providers to deliver our products. We also maintained our own commercial vehicles as an alternative to external logistics providers.

To support our expansion in Northern China and Central Western China, we intend to establish logistics centres in Tianjin and Chengdu. Our logistics centres will include cold storage facilities and cold chains vehicles and will be supported by an enterprise resource planning system. For more details about our logistics centres, please refer to “Future Plans and Use of Proceeds — Reasons for Listing and Global Offering — Our Capital Requirements and Reasons for the Global Offering — Enhance our market access and deepen our penetration of Northern China and Central Western China”.

Pricing Policies and Payment Terms

The price of our products is determined on a “cost-plus” basis. In determining our pricing strategies, we take into account the prevailing market conditions, seasonal demand of our products, costs, purchase volume and credibility of our customers. All the price quotes and sales orders have to be reviewed by our sales manager before final approval by general manager. All the products sold by us are settled in Renminbi. Our customers settle their purchases through bank transfers. We generally grant credit terms ranging from 30 to 90 days to our customers.

The staff in our sales department are responsible for monitoring the collection and following up with the customers when payment is due. In addition, our management periodically monitors all outstanding receivables and re-assesses the creditworthiness of the customers. During the Track Record Period, we did not experience any material bad debts, nor experience any significant difficulties in collecting our trade receivables from our customers.

Sales Returns and Recall Policies

We allow for product returns or exchanges for defective products or damaged products based on our examination and approval. We will refund the relevant purchase amount to our customers for any defective or damaged products returned to us or exchange the defective or damaged products for new products. For the years ended 31 December 2014, 2015 and 2016, the product returns from our customers due to mishandling during transportation and improper storage by our customers, amounted to approximately RMB51,000, RMB88,000 and RMB42,000, respectively, representing approximately 0.02%, 0.02% and 0.01% of our total revenue for the same periods. Except for four supermarket customers as set out in the section headed “Business — Distribution and Logistics — Supermarket Customers”, we generally do not allow for returns or exchanges for any unsold products or expired products from our customers unless our products were defective or damaged as a result of packaging defects.

Save as disclosed in this prospectus, during the Track Record Period and up to the Latest Practicable Date, we did not receive (i) material fines, product recall orders or other penalties from the PRC Government or other regulatory bodies, (ii) any material products return requests from our customers or (iii) any material complaints from our customers.

SUPPLIERS AND RAW MATERIALS

We source different categories of raw materials from different suppliers in the PRC which mainly include (i) fishermen; (ii) algae farmers; (iii) suppliers of processed seafood, algae and fungi; and (iv) suppliers of packaging materials. We established our stable suppliers network through a track record of 11 years of operations and maintain our network with our large and stable demand for raw materials. We have entered into long-term agreements with a number of our suppliers during the Track Record Period to ensure stable supply.

We choose suppliers mainly from Fujian, Zhejiang, Shandong and Jiangsu Provinces. These areas are close to coastal areas with abundant marine resources. As such, we have access to a relatively large and stable supply of high quality raw materials.

Our primary suppliers and main raw materials during the Track Record Period included:

- dried seafood: fishermen and corporate suppliers supplying raw/processed seafood such as cuttlefish, squid, prawn and scallop.
- algae: algae farmers and corporate suppliers supplying raw/processed seaweed, sea tangle, agar and sea mustard.
- seafood snacks: corporate suppliers supplying processed seafood such as filefish, yellow croaker and squid.
- frozen seafood: fishermen supplying raw seafood such as hairtail and pomfret.

During the Track Record Period, we also procured various types of dried mushroom and other fungi as raw materials.

As at 31 December 2014, 2015 and 2016, we had a total 50, 55 and 62 suppliers, respectively. Our raw materials are generally available from a number of suppliers, and we generally have at least two sources of supply for each type of raw material to reduce the reliance on any single supplier. We have established business relationships with most of our five largest suppliers ranging from three to six years, all of whom are domestic suppliers in the PRC. Our stable access to high quality suppliers helps assure our customers of our ability to meet their orders. We believe our customers would be less willing to consider purchasing products from competitors without stable supply chains. We did not experience any shortage of raw materials or quality issues with our raw materials during the Track Record Period that materially affected our operations.

For the years ended 31 December 2014, 2015 and 2016, the purchase of our raw materials, as a component of cost of sales, amounted to approximately RMB144.6 million, RMB249.1 million and RMB325.6 million, respectively. Our costs of raw materials for the years ended 31 December 2014, 2015 and 2016 represented approximately 92.1%, 91.3% and 93.1% of our total cost of sales, respectively.

We have an experienced procurement team with a deep understanding of our raw materials and our suppliers' capabilities. Our raw material procurement is determined by our production schedule. Our production department determines the expected production volume every month to formulate our procurement plan. Our procurement department then contacts suppliers with our raw materials requirements.

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We select our suppliers mainly on the basis of price, product quality, years of relationship with us and delivery period. We conduct sample check on all raw materials delivered to our sub-contractors for processing or products directly delivered to our packaging facility for packaging. If the raw materials supplied do not meet the quality standards stipulated under the supply contracts or purchase order, we will reject the defective raw materials. We regularly monitor our suppliers to reduce supply risks, including risks related to the local marine environment, weather conditions, compliance with fishing regulations and logistics. For details of our quality control over raw materials and products, please refer to the section headed “Business — Our Quality Control and Food Safety” in this prospectus.

Fishermen Suppliers

In respect of the purchase of raw materials for our dried seafood and frozen seafood, we have generally entered into long-term supply agreements with our fishermen suppliers for a term of five years. There is no minimum purchase commitment and we typically determine the quantity of raw materials to be purchased at the time we place our order. The pricing of the raw materials for our dried seafood, algae and frozen seafood is determined with reference to the arm’s length negotiations between the relevant suppliers and us, and the market price of products. Our fishermen suppliers and algae farmer suppliers typically provide us with credit terms of 30 days. We usually settle our trade payables by bank transfers.

The number of fishermen suppliers and algae farmers suppliers for the years ended 31 December 2014, 2015 and 2016 is set forth below:

Supplier type	For the financial year ended 31 December		
	2014	2015	2016
Fishermen suppliers	36	39	44
Algae farmers suppliers	3	3	3

To secure stable source of supply and priority in selecting the raw seafood, we paid earnest money to a number of our fishermen suppliers during our first time of cooperation with these fishermen suppliers. We paid a number of our fishermen suppliers an earnest money ranging from RMB150,000 to RMB500,000 within three days after signing the agreement. The payment of earnest money to fishermen suppliers for long-term supply is in line with the industry norm. The relevant supplier will repay such earnest money to us, of which 50% will be paid one year before the expiration of the supply agreement, and the remaining upon termination. Such earnest money is interest-free and would not be used to set off the payments for the raw materials purchased by us. We have the right to terminate the long-term supply agreements with three months’ notice. Upon termination or expiration of the agreement, the relevant supplier is required to repay all of the earnest money to us. During the Track Record Period, our maximum exposure to the earnest money arrangement with our fishermen suppliers amounted to approximately RMB8.0 million.

As advised by our PRC Legal Advisers, the provision of earnest money to the fishermen suppliers by us does not contravene relevant PRC laws and regulations, including the General Lending Provisions (貸款通則).

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The legality of our suppliers' operations, including whether they fish within the allowed PRC territories and whether these fishermen have breached any international and/or other respective territorial laws, has always been our priority when considering the choice of our fishermen suppliers. We have in place the following internal control measures to monitor whether our suppliers have complied with applicable laws and regulations: (i) we have an approval system to ensure only qualified suppliers who have good compliance record and who are holding valid licences will be selected as our suppliers: (a) our procurement team will identify and select suitable fishermen suppliers based on their pricing policies, quality of services and compliance history; (b) our procurement team will obtain relevant information from the selected fishermen suppliers, including their identity cards, fishing vessels ownership certificate (漁船所有權登記證), fishing vessel nationality certificates (漁業船舶國籍證書), fishing permits (漁業捕撈許可證), fishing vessel navigation records (漁業船舶航行簽證簿), household register of seagoing vessels (出海船舶戶口簿) and fishing vessels inspection record (漁業船舶檢驗記錄); (c) our procurement team will compile a fisherman suppliers approval form ("**Approval Form**") for our procurement director for further evaluation; (d) our procurement director will review each potential fisherman supplier in the Approval Form and inspect all relevant supporting materials, this is to ensure relevant procedures are being complied with and avoid fishermen suppliers with historical non-compliance record being selected; and (e) those fisherman suppliers selected following the above approval process will be offered the opportunity to enter into supplier contract with us; (ii) on signing of suppliers contracts with us and on annual basis, our fishermen suppliers are required to confirm in writing that their operations are in compliance with the all applicable laws and regulations; (iii) on an annual basis, we will inspect the relevant licences of our fishermen suppliers to ensure it has complied with the relevant laws and regulations; and conduct public record search (such as penalty notices posted on the websites of local ocean and fisheries regulatory authorities and notices in relation to production status and compliance matters concerning fishing vessels posted through public facilities of respective villagers' committees) to ensure that they do not have records of violating applicable laws and regulations; and (iv) if we discovered the fishermen suppliers were in violation of any applicable laws or regulations, we will stop procuring raw materials from these suppliers and terminate the commercial relationship with these fishermen suppliers.

To enhance our internal control to ensure we can properly monitor whether our suppliers fish outside PRC territories and ensure our suppliers have complied with applicable laws and regulations, we have added the following measures in our written internal control manual: (i) we will invite PRC law firms, other professional compliance consultants and/or relevant regulators to conduct regular training to our procurement and compliance staff in order to ensure that these staff will keep abreast of all updated legal development in the marine laws and regulations, both domestically and internationally; (ii) on a monthly basis, we will conduct on-site interviews with Ningde Ocean and Fishery Bureau (寧德市海洋與漁業局), Quanzhou Quangan Ocean and Fishery Bureau (泉州泉港海洋與漁業局) and other relevant PRC regulators and check the compliance record of our fishermen suppliers in order to ensure they did not violate any applicable laws and regulations, including they did not fish outside of the PRC territories; (iii) we have adopted a Suppliers' Code of Conduct (the "**Suppliers' Code of Conduct**"), pursuant to which our fishermen suppliers are required to, among others, (a) allow our representative to sail with their fishing vessels upon our request such that we can monitor the sailing path of these vessels and ensure there is no violation of laws concerning overfishing or other PRC or international marine laws; (b) provide us access to the sailing record which contained information including fishing date and time, fishing results (i.e. species of fisheries or seafood and the relevant quantity in terms of weight or size), fishing location and fishing methods, inspect the relevant facilities, and/or interview the relevant staff who operates such facilities of their fishing vessels upon request; and (c) immediately implement corrective action to remedy any material non-conformance with the Suppliers' Code of Conduct. As at the

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Latest Practicable Date, we have entered into a supplemental agreement (“**Supplemental Agreement**”) with each of our fishermen suppliers which provides that: (i) the suppliers agree to attend regular trainings to be offered by us in relation to legal and compliance matters; (ii) the suppliers acknowledge that we have developed the Suppliers’ Code of Conduct and the suppliers agree to comply with and implement the requirements set out therein; and (iii) the suppliers’ failure to remedy any material violation of the Suppliers’ Code of Conduct after a reasonable amount of time will be deemed to be a material breach of the Agreement. We are entitled to terminate the commercial relationship with the suppliers in such circumstances.

To the best knowledge of our Directors, our fishermen suppliers have obtained relevant licences in the PRC, and there had been no violation record being identified against our fishermen suppliers during the Track Record Period. We believe that even in the unlikely event that our fishermen suppliers are found to have violated the relevant laws in future, we will be able to source sufficient raw materials for our products because (i) according to the China Fishery Statistics Yearbook prepared by the Fishery Administration Bureau, Ministry of Agriculture of the PRC, in 2015, there were approximately 187,000 ocean fishing vessels in the PRC, of which approximately 31,000 and 19,000 ocean fishing vessels were based in Fujian and Zhejiang Provinces, which represents an abundance of fishermen suppliers who are capable of providing similar raw materials to us as those provided by our existing suppliers; and (ii) we are not prohibited under arrangements with our current fishermen suppliers to procure supplies from them on an exclusive basis; therefore, in a remote case that some of our existing fishermen suppliers are no longer suitable suppliers, for any reasons, we have complete flexibility to procure supplies from other fishermen suppliers.

As advised by our PRC Legal Advisers, public searches, including internet search and search on the regulatory authorities’ websites, conducted by them targeting our fishermen suppliers during the preparation of the Listing also revealed no findings of regulatory breaches. Our PRC Legal Advisers further conducted interviews with the enforcement officers in Ningde Ocean and Fishery Bureau (寧德市海洋與漁業局) and Quanzhou Quangang Ocean and Fisheries Law Enforcement Brigade (泉州泉港海洋與漁業執法大隊) (collectively, the “**Bureaus**”) in May 2017 (where the fishermen suppliers operate and are legally registered with) who confirmed in writing that, all fishing vessels registered with the Bureaus, including all our fishermen suppliers, are required to install (and have installed) technologies such as Beidou navigation and automatic ships identification (collectively, “**Tracking Devices**”), so that the Bureaus can track the real-time sailing route and fishing location of these fishing vessels. With the installation of such real time Tracking Devices, the enforcement officers at the Bureaus will be immediately notified if the sailing path of these fishing vessels deviates from the statutory course of sailing or outside the PRC territories, allowing them to take immediate enforcement actions, including imposing penalties on the fishermen or revoking or suspending their operation licences and confiscation of the fisheries that are harvested illegally. The enforcement officers of the Bureaus confirmed verbally that our fishermen suppliers had been in compliance with the applicable laws and regulations and no violation record against these fishermen suppliers had been identified. However, the information revealed from the Tracking Devices is not open for public inspection due to government policy. Our PRC Legal Advisers advised that the Bureaus are the competent authorities to provide the aforementioned confirmations.

Algae Farmers Suppliers

Since September 2011, we have been holding the Aquaculture in Waters and Tidal Flats Licence (水域灘塗養殖證). We leased 13 hectares of tidal flats in Erkeng Village, Xiapu County from the Villager Committee of Erkeng Village, Sansha Town, Xiapu County (霞浦縣三沙鎮二坑村民委員會) as at the Latest Practicable Date. The lease agreement is for a term of 10 years and the total lease payment is RMB500,000. The location offers unique environmental advantages and is a highly suitable marine environment for the production of algae. During the Track Record Period, we entered into ten-year sub-lease agreements with three algae farmers, who are also our suppliers of seaweed and sea tangle for a term of ten years, pursuant to which we sublease the tidal flats to the algae farmers and each of the relevant algae farmer shall pay an annual rent of RMB20,000 to us and we may purchase seaweed and sea tangle from the tenant. Our Directors believe that, even in the absence of binding contractual arrangements, entering into lease agreements with such algae farmers suppliers had contributed to the stable supply of the seaweed and sea tangle during the Track Record Period. In order to further secure stable supply of the seaweed and sea tangle, we have recently entered into a letter of intent with each of these algae farmers suppliers, pursuant to which, they agreed to fulfil our procurement orders of its seaweed and sea tangle with higher priority over their other customers.

Suppliers of Processed Seafood, Algae and Fungi

We purchase processed seafood from our corporate suppliers for the sale of our dried seafood, algae, fungi and seafood snacks. To the best knowledge of our Directors, all of our corporate suppliers are seafood and other food suppliers in the PRC and are Independent Third Parties. We have generally entered into supply agreements with our corporate suppliers for a term of two years. There is no minimum purchase commitment and we typically determine the quantity of purchase at the time we place our order. The pricing of processed seafood, algae and fungi as raw materials is determined with reference to the arm's length negotiations between the relevant suppliers and us, and the expected market price of our products. Our corporate suppliers typically provide us with credit terms of 30 days. We usually settle our trade payables by bank transfers.

Suppliers for Packaging Materials

Packaging materials are also a component of our raw materials. We package our seafood in various sizes of plastic materials and cardboard boxes. All our packaging materials are generally available from domestic suppliers.

In respect of the supply of packaging materials, we have entered into long-term framework agreements with our suppliers. Pursuant to the framework agreements, where the duration of the agreement is not stipulated, our suppliers agree to sell and we agree to purchase the packaging materials and details of the terms of order, such as the price, actual quantities and types of packaging materials, are subject to the purchase order placed by us. In general, our suppliers of packaging materials grant credit terms of 30 days to us. We usually settle our trade payables by bank transfers.

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Our Five Largest Suppliers

Our five largest suppliers in aggregate accounted for approximately 34.0%, 37.1% and 47.3%, respectively of our total purchases and sub-contracting fees for the years ended 31 December 2014, 2015 and 2016. The total purchases made and sub-contracting fees paid by us to our largest supplier accounted for approximately 9.5%, 14.8% and 19.0% of our total purchases and sub-contracting fees for the years ended 31 December 2014, 2015 and 2016, respectively. In general, our suppliers grant us credit terms with respect to the supply of raw materials that generally range from 30 days from the date of billing at the end of each calendar month. The payments are generally settled by bank transfers.

The following tables set out the profile of our five largest suppliers and amount purchased and sub-contracting fees paid by us during the Track Record Period:

For the year ended 31 December 2014

Name of Supplier	Principal Business Activities of Supplier	Major Products/ Services Purchased	Approximate Years of Business Relationship with our Group	Approximate Aggregate Purchase and Sub-contracting Fees	Approximate % of Total Purchases and Sub-contracting Fees of our Group
(RMB'000)					
F ⁽¹⁾	Processing and sales of seafood and algae	Algae	5	15,654.2	9.5%
A ⁽²⁾	Processing and sales of seafood	Seafood and food processing	6	13,791.2	8.4%
G ⁽³⁾	Processing and sales of seafood and algae	Algae	3	10,798.4	6.6%
H ⁽⁴⁾	Processing and sales of seafood and algae	Algae	3	8,131.3	5.0%
B ⁽⁵⁾	Supply of seafood	Seafood	6	7,403.1	4.5%

Notes:

1. Supplier F is a private company established in the Fujian Province.
2. Supplier A is a private company established in the Zhejiang Province. For the year ended 31 December 2014, Supplier A was one of our suppliers and sub-contractors and the aggregate purchase amount of Supplier A represented the total purchase of raw materials of approximately RMB3.1 million and the sub-contracting fees of approximately RMB10.7 million. The purchase amount of Supplier A and the sub-contracting fees charged by Supplier A were approximately 1.9% and 6.5% of our total purchase and sub-contracting fees, respectively, for the year ended 31 December 2014.
3. Supplier G is a private company established in the Fujian Province.
4. Supplier H is a private company established in the Fujian Province.
5. Supplier B is a fisherman in the PRC.

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For the year ended 31 December 2015

Name of Supplier	Principal Business Activities of Supplier	Major Products/ Services Purchased	Approximate Years of Business Relationship with our Group	Approximate Aggregate Purchase and Sub-contracting Fees	Approximate % of Total Purchases and Sub-contracting Fees of our Group
				(RMB'000)	
A ⁽¹⁾	Processing and sales of seafood	Seafood and food processing	6	37,431.0	14.8%
I ⁽²⁾	Supply of algae	Algae	6	18,667.2	7.4%
J ⁽³⁾	Processing and sales of seafood	Algae and food processing	5	14,313.3	5.6%
K ⁽⁴⁾	Processing and sales of seafood	Seafood snacks	5	11,814.1	4.7%
L ⁽⁵⁾	Supply of algae	Algae	6	11,567.0	4.6%

Notes:

1. Supplier A is a private company established in the Zhejiang Province. For the year ended 31 December 2015, Supplier A was one of our suppliers and sub-contractors and the aggregate purchase amount of Supplier A represented the total purchase of raw materials of approximately RMB27.2 million and the sub-contracting fees of approximately RMB10.2 million. The purchase amount of Supplier A and the sub-contracting fees charged by Supplier A were approximately 10.8% and 4.0% of our total purchase and sub-contracting fees, respectively, for the year ended 31 December 2015.
2. Supplier I is a seaweed farmer in the PRC.
3. Supplier J is a private company established in the Fujian Province. For the year ended 31 December 2015, Supplier J was one of our suppliers and sub-contractors and the aggregate purchase amount of Supplier J represented the total purchase of raw materials of approximately RMB7.3 million and the sub-contracting fees of approximately RMB7.0 million. The purchase amount of Supplier J and the sub-contracting fees charged by Supplier J were approximately 2.9% and 2.8% of our total purchase and sub-contracting fees, respectively, for the year ended 31 December 2015.
4. Supplier K is a private company established in the Shandong Province.
5. Supplier L is a seaweed farmer in the PRC.

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For the year ended 31 December 2016

Name of Supplier	Principal Business Activities of Supplier	Major Products/ Services Purchased	Approximate Years of Business Relationship with our Group	Approximate Aggregate Purchase and Sub-contracting Fees	Approximate % of Total Purchases and Sub-contracting Fees of our Group
				(RMB'000)	
A ⁽¹⁾	Processing and sales of seafood	Seafood and food processing	6	67,046.9	19.0%
G ⁽²⁾	Processing and sales of seafood and algae	Algae	3	35,074.3	10.0%
F ⁽³⁾	Processing and sales of seafood and algae	Algae	5	30,034.2	8.5%
I ⁽⁴⁾	Supply of algae	Algae	6	20,161.2	5.7%
D ⁽⁵⁾	Supply of seafood	Seafood	6	14,366.3	4.1%

Notes:

1. Supplier A is a private company established in the Zhejiang Province. For the year ended 31 December 2016, Supplier A was one of our suppliers and sub-contractors and the aggregate purchase amount of Supplier A represented the total purchase of raw materials of approximately RMB58.4 million and the sub-contracting fees of approximately RMB8.6 million. The purchase amount of Supplier A and the sub-contracting fees charged by Supplier A were approximately 16.6% and 2.4% of our total purchase and sub-contracting fees, respectively, for the year ended 31 December 2016.
2. Supplier G is a private company established in the Fujian Province.
3. Supplier F is a private company established in the Fujian Province.
4. Supplier I is a seaweed farmer in the PRC.
5. Supplier D is a fisherman in the PRC.

None of our Directors, their respective close associates and existing Shareholders who own more than 5% of the issued share capital of our Company has any interest in any of our five largest suppliers of our Group during the Track Record Period. During the Track Record Period, we purchased raw seafood from two suppliers who are our connected persons. Our purchases from the two aforesaid connected persons accounted for approximately 2.7%, 2.2% and 0.7% of our total purchases for the years ended 31 December 2014, 2015 and 2016, respectively. Please refer to the section headed “Connected Transactions” in this prospectus for further details. Save as disclosed in this prospectus, all of the raw materials used by our Group during the Track Record Period were purchased from Independent Third Parties of our Group.

We believe and ASKCI concurs that the contractual terms and purchase price with our Group’s major suppliers are in line with industry norm.

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Our Directors confirm that neither our suppliers nor our Group had committed any material breach of the supply agreements during the Track Record Period. None of our suppliers was our customer during the Track Record Period.

SUB-CONTRACTORS

Sub-contractors process our raw seafood, seaweed and sea tangle. Outsourcing our food processing provides greater flexibility in allocating our resources and variable costing, which was valuable during the Track Record Period in light of our rapid growth and limited financial resources. Our sub-contractors are mainly food processing companies in the PRC, all being Independent Third Parties.

Our sub-contractors thaw, slaughter, clean and dry the raw seafood we purchased from our fishermen suppliers. They also clean and dry the seaweed and sea tangle that we purchased from our algae farmer suppliers.

In selecting our sub-contractors, we will consider their reputation, production capabilities, food processing techniques, product quality, reliability in meeting delivery schedules and sub-contracting fees. When selecting the appropriate suppliers, our procurement department will also consider whether the suppliers are in compliance with applicable laws and regulations, including whether they hold the required licences. We have implemented strict quality control procedures to ensure the quality, safety and reliability of the products supplied by our sub-contractors. We will monitor closely the news and regulatory update to keep track on any risk in association with our suppliers. On an annual basis, we will conduct a review on our suppliers to ensure they continue to satisfy the criteria to be our suppliers. Please refer to the section headed “Business — Our Quality Control and Food Safety” in this prospectus for further details.

We enter into agreement with our sub-contractors for provision of food processing services on an annual basis and have not entered into any long-term agreements for operational flexibility reason. Pursuant to each of our sub-contracting service agreements, we will provide the raw materials to the sub-contractor and the sub-contractor will process the raw materials provided in accordance with the instructions provided by us at a sub-contracting fee to be agreed at the time when we place our order. The sub-contracting fee is determined based on the volume and types of products being processed. The agreements we have entered into with our sub-contractors are on a non-exclusive basis. Our sub-contractors have the responsibility to ensure that all works performed must satisfy any requirements imposed. Our sub-contractors are responsible for ensuring quality and safety in performing works and are liable for loss caused by their breach of the contract or negligence. There is no renewal clause under the agreements as we may enter into sub-contracting arrangement when necessary.

As at the Latest Practicable Date, we had engaged three sub-contractors. Our Group has maintained good relationships with our sub-contractors for an average of two years. Among the three sub-contractors, we had only one sub-contractor providing food processing services for our algae during the Track Record Period. Our Directors believe that we can easily find additional sub-contractors to provide algae processing services within Xiapu to provide us with food processing services at similar prices for our algae within a short period of time. In addition, according to the ASKCI Report, alternative sub-contractors which provides seafood processing services are also readily available in the market at similar prices as compared to our existing sub-contractors.

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For the years ended 31 December 2014, 2015 and 2016, the total amount of sub-contracting fees in relation to our outsourced food processing procedures, in aggregate, accounted for approximately 6.6%, 7.4% and 5.7% of our total cost of sales for the same periods, respectively. Since there are many food processing companies of comparable size and quality available in the market, our Directors consider that there is no over-reliance on any individual sub-contractor and no material risk of disruption to our normal operations. Our Directors believe that we can replace one sub-contractor with another with no undue difficulty.

During the Track Record Period, we did not experience any material issue or dispute in relation to product quality or product delivery schedule with any of our sub-contractors.

None of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our sub-contractors during the Track Record Period.

OUR QUALITY CONTROL AND FOOD SAFETY

Quality Control Management

We are committed to providing safe and high quality products to the consumers. We adhere to stringent quality control guidelines and conduct quality check at various points of the entire production process, from sourcing of raw materials to processing, packaging and inventory storage. Our dedicated quality control team is responsible for ensuring that we adhere to our internal quality control procedures. As at the Latest Practicable Date, we had a team of 18 quality control staff who implement our quality control system and inspect our suppliers' and sub-contractors' quality control standards.

We have maintained all relevant and required certifications and licences in relation to our product quality and safety control systems for our packaging facility. Our quality control system covers different stages of the production process from raw material procurement, food processing, packaging, to finished products and storage.

Quality Standards and Certifications

Our operations are in compliance with applicable PRC laws and regulations in relation to food industry, as well as the quality control requirements imposed by China Food and Drug Administration (國家食品藥品監督管理總局). We have been accredited with ISO 22000: 2005 (food safety management system) by Chinese Quality Certification Centre (中國質量認證中心) in respect of the packaging of our dried seafood. We have obtained the Food Production Licences (食品生產許可證) for repackaging of dried seafood, dried edible fungi and seafood snacks at our packaging facility in Xiamen. We are also subject to annual inspection by the relevant PRC Government authorities.

Quality Control over Raw Materials

We have adopted and maintained strict procedures for the selection of our suppliers to ensure that the raw materials we use are of high quality. We maintain an approved supplier list and typically work with trustworthy suppliers that we have established long-term relationship with to secure key raw materials we sourced for our operation. We use a standardised criteria for the selection and qualification of our suppliers on the basis of product price, product quality, years of relationship with us and delivery period. We require raw materials provided by our suppliers to meet our high quality standards and PRC national standards. If the raw materials supplied to us do not meet the quality standards stipulated under our contracts with suppliers, we are entitled to reject them and be compensated for any related costs.

In addition, we have implemented quality control measures for our raw materials, primarily including:

- conducting on-site inspection at the port of fishermen suppliers and basement of algae farmers suppliers regarding each purchase order;
- conducting inspections regarding each purchase order for raw materials delivered to our warehouse before acceptance and examine whether the raw materials meet the quality standards stipulated in the contracts with our corporate suppliers;
- appointment of a certified food testing institute to perform laboratory sample testing on our raw materials in accordance with the standards stipulated by the PRC Government, such as colour, smell, visual appearance and hygiene standards. Raw materials that fail these tests are marked and returned to the supplier; and
- requiring our corporate suppliers to provide inspection reports from independent laboratories for the raw materials they deliver.

Quality Control over our Sub-contractors

We strictly adhere to our internal standardised procedures to ensure consistent product quality. We closely monitor our sub-contractors processing procedures for each batch of production of our products by dispatching our quality personnel and the certified food testing institute to the processing facilities and warehouses of our sub-contractors that have the potential to materially impact the quality of processed products, including temperature and ventilation. Any sub-standard products identified are immediately disposed of at the processing facilities of our suppliers.

Apart from closely monitoring our sub-contractors' processing procedures, we also conduct sample check on the processed products delivered to our warehouse before storage to ensure they meet our internal quality standards and relevant national industry standards. Our sub-contractors are obliged to provide test reports to us with respect to the processed products. During the Track Record Period, these test reports did not reveal any irregularities that would materially impact our operations.

Finished Products Quality Control

Our finished products are stored at our warehouses before they are delivered to our customers. These finished products are stored in designated zones within our warehouses according to their manufacturing dates and product categories. To maintain their freshness, our finished products are stored in temperature and humidity controlled warehouses. We also install pest control equipment in our production facilities to ensure our warehouses are pest-free. We also take safety measures to minimise fire hazards, water damage and other similar risks to our finished products.

We ensure that all customers' feedback concerning our products is resolved promptly upon receipt. All customers' feedback are directed to and handled by our sales department and quality control department. We believe that this process helps us reinforce our high quality control standards to consumers and confidence in our products. Our quality control department retains records of all feedback and complaints, and the results of any investigation or resolution measures.

During the Track Record Period and as at the Latest Practicable Date, we did not experience any customer complaints which had a material adverse effect on our business or results of operations, nor were there any voluntary product recalls.

Workplace Environment and Safety Control

We require our employees to conduct annual health checkups and to maintain good personal hygiene. We provide regular product quality, production safety and other technical training to our employees, including production personnel, quality control and inspection personnel, as well as managerial personnel, to inform them of the latest safety and hygiene requirements. During the Track Record Period, and as at the Latest Practicable Date, we did not experience any material accidents in the course of our operations nor were there any material claims for personal or property damages or compensation from our employees.

Food Safety Management

During the Track Record Period, we engaged Independent Third Party institutes, such as Ningde Quality Inspection Institute of Product (寧德市產品質量檢驗所) and Xiamen Products Quality Supervision and Inspection Institute (廈門市產品質量監督檢驗院) to conduct product quality and food safety testing on our products on an ad hoc basis. These institutes conduct their operations in accordance with the relevant standards set by the PRC Government. Despite our strict quality control procedures at various stages of our operation, we experienced a few product quality incidents during the Track Record Period. Descriptions of such product quality incidents are set out below.

Incidents Relating to Product Quality

During the Track Record Period, the competent authorities have imposed fine and penalties on us in the following product quality incidents:

Incident of the ‘Haibao’ Wine Preparation Pack (海寶浸酒料) (the “Wine Pack”)

Background of the Incident

We commenced the sale of the Wine Pack in March 2015. We also sold and delivered the Wine Pack based on purchase orders from our customers through an online store operated by an Independent Third Party. In August 2015, the Market Supervising Administration Bureau of Tongan District, Xiamen City has launched an inspection and investigation on Xiamen Wofan upon receipt of complaints. In October 2015, a written decision of administrative penalty was issued against Xiamen Wofan and the Market Supervising Administration Bureau of Tongan District, Xiamen City reported that Xiamen Wofan had sold 34 packs of the Wine Pack which contained an ingredient, namely “Hai Piao Xiao (海鰓蛸)”, that would fall under the Pharmacopoeia of the PRC (中華人民共和國藥典). We were found to be in breach of the Food Safety Law of the PRC (中華人民共和國食品安全法) and the local competent authority (i) confiscated our income of the sale of the Wine Pack in the amount of approximately RMB400; and (ii) imposed a fine of RMB7,000.

In addition, regarding the sale of the Wine Pack, an individual purchased 100 packs of our Wine Pack from an online store operated by Independent Third Party in August 2015 and the individual filed a claim at Guangzhou Panyu People’s Court on the grounds that we were in breach of the Food Safety Law of the PRC as our products contained an ingredient that would fall under Pharmacopoeia of the PRC. The parties reached settlement in July 2016 that Xiamen Wofan paid a sum of RMB28,710 and the claimant returned 100 packs of our Wine Pack to us.

Reasons for the Incident

As Hai Piao Xiao (海鰓蛸) is the internal shell of a cuttlefish and cuttlefish is a common raw material of our products, our quality control personnel at the relevant time were not aware that the cuttlefish bone fell under the Pharmacopoeia of the PRC and the legal implications of the same.

Remedial Actions Taken

We ceased to sell the Wine Pack with that particular ingredient since late August 2015 and there were no loss due to the cessation of sale of such Wine Pack since there were no inventories retained by us or by our customers. We did not hold the person in-charge responsible given that this was a one-off incident and the incident was caused by lack of understanding and an inadvertent oversight and was not a result of an intentional action. The incidental liability exposed by us was limited and quantifiable and we have already taken remedial action to rectify the situation immediately after the incident. We notified our customers and requested them to inform consumers to return the defective products to us. We have also provided adequate and timely training to our staff regarding the impact of the Pharmacopoeia of the PRC and any of its updates on our products.

Incident of Sliced Sea Whelks

Background of the Incident

In July 2015, our sliced sea whelks was found to contain excessive sulfite during a food inspection conducted by Food and Drug Administration of Fujian Province (福建省食品藥品監督管理局). In October 2015, a written decision of administrative penalty was issued against Xiamen Wofan by the Market Supervising Administration Bureau of Tongan District, Xiamen City under which we were found to be in breach of the Food Safety Law of the PRC and the local competent authority (i) confiscated our income of the sale of sliced sea whelks in the amount of RMB100; and (ii) imposed a fine of RMB2,000. In April 2016, such finding was also reported to the public by the Food and Drug Administration of Fujian Province.

Reasons for the Incident

The incident is mainly caused by (i) our oversight in the quality control over our products; and (ii) our omission in our quality control standards to include a limit on sulfite contained in our sliced sea whelks.

Remedial Actions Taken

We initiated the remedial measures according to the Contingency Plan for the Emergency Incidents Related to Food Safety immediately after the occurrence of the incident. We have withdrawn 19 packs of unsold sliced sea whelks from our customers with total sales value of RMB991 which have been disposed of under the witness of the Market Supervising Administration Bureau of Tongan District, Xiamen City. We notified our customers and requested them to inform consumers to return the defective products to us. However, we could not recall all the defective products from end-users but only recalled those unsold products on the shelf and those to the extent returned by the consumers to our customers. In addition, we have ceased to sell sliced sea whelks since August 2015.

Incident of Dried Peeled Prawn

Background of the Incident

In December 2015, our dried peeled prawn was found to contain excessive sulfite in a food inspection conducted by the Market Supervising Administration Bureau of Tongan District, Xiamen City. In January 2016, a written decision of administrative penalty was issued against Xiamen Wofan by the Market Supervising Administration Bureau of Tongan District, Xiamen City that we were found to be in breach of the Food Safety Law of the PRC and the local competent authority (i) confiscated our income of the sale of dried peeled prawn in the amount of approximately RMB400; and (ii) imposed a fine of RMB7,000. In April 2016, such finding was also reported to the public by the Food and Drug Administration of Fujian Province.

Reasons for the Incident

The incident is mainly caused by (i) an increase in the concentration of sulfite in seawater in recent years; (ii) increases and accumulation of sulfite during the waiting period while dried seafood was in storage; and (iii) our oversight in quality control over our products.

Remedial Actions Taken

We did not retain inventory of any dried peeled prawn products that were involved in the incident and we have notified our customers to cease the sales of the remaining eight packs of dried peeled prawns held by them with sales value of RMB364. In response to the incident relating to the dried peeled prawn, we have strengthened food safety measures to enhance the quality control of products. For example, in respect of the products that were processed by our sub-contractors, we require our sub-contractors to provide us with test reports which include details such as batch number, sample date, testing date, sample description, testing basis and testing conclusion and for those who failed to provide, we will appoint third party laboratories for testing. We do not accept products for which the test results have failed to comply with relevant standards. Since the implementation of the above remedial measures, we have not received any complaints from our customers or report by the regulatory authorities with similar findings. Therefore, our Directors considered such remedial measures to be effective.

In accordance with the confirmation from the Market Supervising Administration Bureau of Xiamen City, all of the above incidents above were concluded and there is no further punishment or outstanding litigation and that no new incidents have been recorded thereafter. In addition, our Directors confirmed that none of our customers requested refund or compensation from us in respect of the unsold products that were involved in the above incidents.

Other Product Quality Incidents

In addition, we were also involved in the following product quality related incidents during the Track Record Period and that our Directors confirmed that no actions or fines have been taken or imposed by the relevant authority against us:

Incident of Spicy Fish Crisp

Certain media reported in late August 2013 that our spicy fish crisp was found to contain excessive dehydroacetic acid during a sampling food inspection by Administration for Industry and Commerce of Guangzhou City (廣州市工商局) in the first quarter of 2013 in respect of a package of our product manufactured in January 2013. According to the findings of a third party testing institute, the dehydroacetic acid was contained in the spicy fish crisp we purchased from our suppliers. We have notified our customers to cease the sales of the remaining spicy fish crisp as we became aware of the relevant media report and there were no losses due to the cessation of sale of such product since there were no inventories retained by us or by our customers. In addition, we have implemented certain food safety measures including stricter control over selection of our suppliers by setting out additional criteria such as history of food safety incidents, qualification and experience of quality control and production staff, in assessing the performance of new or existing suppliers and strengthening inspection over our products by expanding the coverage of sample selection to ensure the quantity of certain chemicals is within relevant standard. We did not hold the person in-charge responsible given that this was a one-off incident and the incident was caused by an inadvertent oversight and was not a result of an intentional or negligent action. The incidental liability exposed by us was limited and quantifiable and we have already taken remedial action to rectify the situation immediately after the incident. Since the implementation of the above remedial measures in September 2013, we have not received any similar complaints from our customers or from the regulatory authorities. Therefore, our Directors considered that such remedial measures are effective.

Incident of Shredded Squid Fillet

Certain media reported in December 2013 that our shredded squid fillet was found to contain benzoic acid or sodium benzoate during a sampling food inspection by Administration for Industry and Commerce of Guangzhou City in the third quarter of 2013 in respect of a package of the product manufactured in July 2013. According to the findings of a third party testing institute, the benzoic acid or sodium benzoate was contained in the shredded squid fillet we purchased from our suppliers. We have notified our customers to cease the sales of the remaining shredded squid fillet as soon as we became aware of the relevant media report. There were no losses due to the cessation of sale of such product since there were no inventories retained by us or by our customers. In addition, we have implemented certain food safety measures including (i) stricter control over selection of our suppliers by setting out additional criteria such as history of food safety incidents, qualification and experience of quality control and production staff, in assessing the performance of new or existing suppliers; and (ii) strengthening inspection over our products by expanding the coverage of sample selection to ensure the quantity of certain chemicals is within relevant standard. Since the implementation of the above food safety measures, we have not received any similar complaints from our customers or from the regulatory authorities. Therefore, our Directors considered such food safety measures to be effective.

Incident of Dried Squid

Our dried squid was reported and found to contain excessive cadmium during a sampling food inspection conducted by Food and Drug Administration of Anhui Province in May 2015. The incident was mainly caused by (i) the polluted origin places of undaria pinnatifida; and (ii) our insufficient oversight over certain chemicals level, i.e. cadmium, in our dried squid products as there are ambiguities across different standards that are potentially applicable to dried squid products which caused us to have misinterpreted the relevant standards in setting out our quality control measures. We initiated the remedial measures according to the Contingency Plan for the Emergency Incidents Related to Food Safety immediately after the occurrence of the incident. We have notified our customers to cease the sales of the remaining dried squid upon being aware of the relevant media report which involved 11.57 kg of unsold dried squids with total sales value of RMB604. The remaining dried squid products are subject to product return upon results of further inspection by a third party testing institute. In addition, we have implemented certain food safety measures including stricter selection over the origin places of products by conducting environmental evaluation (such as research on environmental news related to the place of origin and studying the publications from the Ministry of Environmental Protection of the PRC) of the origin place during selection of product origins and strengthening food inspection before packaging and sales to ensure the quantity of certain chemicals is compliant with relevant standards. Since the implementation of the above food safety measures, we have not received any similar complaints from our customers or from the regulatory authorities. Therefore, our Directors considered such food safety measures to be effective.

Incident of Dried Small Shrimp

In April 2015, our dried small shrimp was found to contain excessive moisture content in the sampling food inspection conducted by Food and Drug Administration of Changping District, Beijing City. In or around June 2015, we became aware of the said incident and we immediately contacted customers that may have been affected by the incident and requested that they remove the particular batch of dried small shrimp from their shelves and cease selling the same which involved 14 packs of unsold dried small shrimp with total sales value of RMB176. According to the findings of a third party testing institute, the level of moisture content was within the relevant standard. After a thorough analysis performed by us, we believe the possible causes for the incident could be: (i) insufficient sample testing on quantities over our products before delivery; and (ii) the level of humidity was particularly high in spring which caused our dried small shrimp dampened during the processes of delivery and storage. We have ceased the sales of the remaining dried small shrimp that had quality issues by our customer as well as the production of dried small shrimp after we became aware of the said incident in or around June 2015.

Potential Liability of Product Quality Incidents

Having considered the advice from our PRC Legal Advisers, our Directors estimated that the maximum income which may be subject to confiscation and potential administrative fines by the relevant PRC authorities in relation to all of the abovementioned product quality incidents are approximately RMB96,000 and RMB3.7 million, respectively, pursuant to the Food Safety Law of the PRC and the Law of the PRC on Administrative Penalties.

According to the Food Safety Law of the PRC, any consumer who is harmed by food that does not comply with food safety standards may demand compensation from the food producer or the trader. Having considered that (i) the unit price of our products was relatively low; (ii) the end consumers of our products were individuals who were dispersed; and (iii) we have not received any customers' complaints since October 2015, our PRC Legal Advisers considered that the risk of our Group being exposed to legal proceedings or claims of third parties in large scale is remote.

Furthermore, our Controlling Shareholders have executed the Deed of Indemnity in favour of our Group whereby, among other things, they will indemnify each member of our Group against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered by or incurred by our Group as a result of, directly or indirectly or in connection with, the abovementioned product quality incidents.

Given the above, our Directors do not expect there will be any material adverse impact on our business and financial operations in respect of the abovementioned product quality incidents.

Rectification Measures

In light of the above, we have further implemented the following measures since March 2016 to tackle the product quality incidents we experienced:

- (1) **Food Safety Risk Management Response:** our quality control department is responsible for analysing and identifying food safety risks involved in our production processes. Our senior management assess the risks reported by different departments and take preventive measures to address. In March 2016, we have further enhanced our quality control and have implemented six new quality management policies, namely “Control procedures on finished products”, “Products recall control procedures”, “Raw materials quality control procedures”, “Inspection procedures management and controls and instructions on inspection works”, “Policies on equipment and facilities maintenance and cleaning”, and “Quality control and food safety management guidelines” to ensure the quality and safety of our products. In May 2016, we have engaged a certified food inspection institute as our consultant on food quality inspection, which will be responsible for the quality inspection works for the whole production process of our Group from raw materials, sub-contractors, packaging materials, work-in-progress and finished goods at locations designated by us. Such institute will also supervise our product quality control process and provide guidance. As at the Latest Practicable Date, the institute did not report any material findings or make any recommendations on our product quality control process.
- (2) **Food Safety Emergency Response:** we maintain a food safety emergency response plan that sets out detailed response procedures and responsibilities of each department involved. If any food contamination is identified, the packaging facility will be suspended and the facility will be thoroughly sanitised. The packaging procedures in the relevant facility will resume only when the head of our production department or quality control department confirms that the facility can satisfy our food safety requirements.
- (3) **Interactive Communication:** we maintain a standing communication procedure to facilitate internal and external communications, according to which we maintain regular close contact with the relevant regulatory authorities, customers, suppliers and employees to gather essential food safety information. All of these stakeholders provide valuable information to us, which will enable us to improve our quality control and minimise food safety issues.
- (4) **Maintenance of Additional Records for Raw Materials and Packaging Materials:** we maintain additional records for raw materials and packaging materials delivered to us by our suppliers, including the name and contact details of the supplier, specification, quantity, date of production or production batch number, preservation period and date of delivery; we optimise our inventory management rules to maintain the relevant inspection records and supporting documents for our raw materials and packaging materials for not less than six months after the expiration of their respective preservation periods; for those raw materials or packaging materials without a specified preservation periods, to maintain the relevant inspection records and supporting documents for not less than two years.
- (5) **Maintenance of Additional Records for Finished Products:** for our finished products, we keep additional records of the preservation period and purchaser’s address; we also maintain custody of the relevant inspection records and supporting documents for not less than six months after expiration of their respective preservation periods.

TRANSPORTATION OF PRODUCTS

For the purchase of raw materials of certain of our dried seafood, algae and fungi from our fishermen suppliers and algae farmer suppliers, respectively, we typically procure the relevant raw materials at the site and our sub-contractors deliver the raw materials to their food processing facilities for processing. Upon our sub-contractors' completion of the food processing procedures, they would arrange delivery of the processed products to our packaging facility for packaging. For the purchase of raw materials from our corporate suppliers, the raw materials are delivered directly to us by the relevant suppliers after we place our orders. For the purchase of raw materials of our frozen seafood from our fishermen suppliers, we typically procure the products and arrange delivery of the products to the cold storage by our own logistics team. Our sales department is responsible for arranging delivery of our products to our customers. We also engage third party logistics service providers to deliver products to our customers.

SEASONALITY

Historically, we have experienced higher sales of our products ahead of traditional Chinese holidays. We attempt to reduce the impact of product seasonality by diversifying our product offerings so that we can constantly maintain our overall sales volume and revenue.

INVENTORY CONTROL

We have a warehouse in Xiamen City and Ningde City, respectively, and three cold storage facilities in Xiamen, Fujian Province. The inventories of our Group mainly consist of raw materials and finished products. The inventory level is closely monitored by our Directors.

In general, we do not need to maintain a high level of inventory because the production cycle of our products generally takes approximately 30 days.

We procure raw materials and plan our production based on our sales schedule. We also take into consideration of our historical sales and future projections when we monitor our inventory level. Once our products are packaged, we endeavour to deliver them to our customers at the earliest possible time. We also use an information system to track inventory levels as well as to ensure that we have reasonable levels of raw materials and finished products. We have managed to minimise the costs for storage and transportation and enhance working capital efficiency and reduces the risk of deterioration of products while in storage.

In order to maintain accurate inventory records, we conduct monthly inventory counts together with our finance department and address any discrepancies immediately. We also conduct full inventory counts once every year and assess the effectiveness of our historical inventory levels on a regular basis.

The average inventory turnover days were 87, 45 and 30 days for the years ended 31 December 2014, 2015 and 2016, respectively.

RESEARCH AND DEVELOPMENT

We have our own research and development department. As at the Latest Practicable Date, our research and product development team comprised seven persons, most of whom were qualified engineers or graduated with a specialty in food or food-related certification. Our research and development team is led by a research and development manager.

We invest in research and product development to maintain our competitiveness and to expand our sales. For the years ended 31 December 2014, 2015 and 2016, our research and development expenses were approximately RMB0.3 million, RMB1.0 million and RMB1.3 million, respectively. Our research and development expenses are primarily attributable to salaries of our research and development staff and research funding to Jimei University. As of the Latest Practicable Date, we have committed a total of RMB1.5 million towards research and development with Jimei University and 12 New Product Types and Enhanced Products were developed.

We aim to continually innovate and improve our products to cater to changing consumer preferences, focusing particularly on product tastes and packaging, while maintaining our production costs at reasonable levels. During the Track Record Period, we introduced 157 New Product Types and Enhanced Products. In addition, with the growing demand for healthy diet and lifestyle among Chinese consumers, we intend to focus our research and product development efforts on developing healthier food products.

During the Track Record Period, we collaborated with the College of Food and Biological Engineering of Jimei University (集美大學食品與生物工程學院) to enhance our research and product development capability. The objective of the collaboration is that both Jimei University and our Group would mutually benefit from each other through sharing of know-how and resources. Given we have the experience in the food industry and Jimei University focuses on food science related research projects, our Directors believe that the collaboration would allow both of us to jointly develop and commercialise New Product Types and Enhanced Products in a timely manner. In August 2015, we entered into a framework agreement with Jimei University to establish a joint development centre for the research development of seafood snacks and the relevant technologies according to the needs of our Group. In the same month, we have also entered into cooperation agreement with Jimei University, pursuant to which the students of Jimei and our research and development personnel would jointly cooperate for the development of New Product Types and Enhanced Products, product enhancements and the establishment of their relevant quality standards. In addition, we would provide students of Jimei University with internship opportunities. In September 2015, we entered into an agreement with Jimei University to establish an internship programme for graduate students. In connection with the said agreements, we entered into a collaboration agreement with Jimei University in December 2015 for a term of three years, pursuant to which Jimei University would provide technical support to develop new products and technologies, and we would also provide an annual research funding of RMB0.5 million to Jimei University. In addition, we have the pre-emptive and exclusive right in relation to ownership of any new technologies developed under our collaboration with Jimei University. As at the Latest Practicable Date, we have committed a total of RMB1.5 million towards research and development with Jimei University and 12 New Product Types and Enhanced Products were developed. The payment of such amount was not contingent upon the occurrence of any events and will be paid in three instalments until 2018.

BUSINESS

As at the Latest Practicable Date, we had developed and launched 12 New Product Types and Enhanced Products, including sliced octopus (美人章魚片), crispy yellow croaker (香酥小黃魚) and grilled fish crisp (烤魚片), in collaboration with Jimei University, which provided technical support to us in terms of selection of raw materials, production techniques and product specifications.

HEALTH AND WORK SAFETY

We believe health and safety of our staff are very important. We are committed to a safe working environment, particularly for the daily operations at our packaging facility. In addition, we provide safety training to promote occupational health and safety and to ensure compliance with the applicable laws and regulations in the PRC.

Our internal policies are generally documented in writing and supplemented with instructions, trainings and demonstrations. Our staff are required to follow the policies strictly. We will continue to put adequate resources and effort to maintain and improve our safety management in order to reduce any associated risks.

Our Directors confirm that during the Track Record Period, and up to the Latest Practicable Date, no occupational accidents have occurred.

ENVIRONMENTAL MATTERS

Our business is subject to relevant PRC national and local environmental laws and regulations which impose fines and other penalties on facilities that threaten the environment. Our packaging process does not cause any material damage to the environment. For details in respect of environmental laws, regulations and national standards regulating our business, please refer to the section headed “PRC Regulatory Overview — Laws and Regulations Relating to the Industry” in this prospectus.

BUSINESS

LICENCES, PERMITS AND CERTIFICATIONS

We are subject to regular inspections, examinations and audits and are required to maintain or renew the necessary permits, licences and approvals for our business. Our Directors, as advised by our PRC Legal Advisers, confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with relevant PRC laws and regulations in all material respects and had obtained all requisite permits, licences and certifications from the relevant PRC authorities for its operations in the PRC.

Date of Grant	Licence/Permit/ Certification	Purpose	Awarding Body	Expiry Date
4 November 2014	Food Distribution Licence (食品流通許可證)	Wholesale and retail of packaged and unpackaged products	Xiapu Food and Drug Administration (霞浦食品藥品監督管理局)	2 August 2017 (in the process of renewing) ¹
4 November 2014	Food Distribution Licence (食品流通許可證)	Wholesale and retail of packaged and unpackaged products	Xiapu Food and Drug Administration (霞浦食品藥品監督管理局)	3 November 2017
24 February 2017	Food Operation Licence (replaced the Food Distribution Licence) (食品經營許可證 (替代了食品流通許可證))	Wholesale and retail of packaged and unpackaged products (includes refrigerated and frozen food) (預包裝食品(含冷藏冷凍食品)銷售、散裝食品(含冷藏冷凍食品)銷售)	Market supervision commission of Xiamen City Tongan Zone (廈門市同安區市場監督管理局)	16 February 2022
14 March 2016.	Aquaculture in Waters and Tidal Flats Licence (水域灘塗養殖證)	Algae farming	People's Government of Xiapu County (霞浦縣人民政府)	30 December 2018
29 September 2016	Food Production Licence (食品生產許可證)	Repackaging of dried edible fungi Repackaging of dried seafood Repackaging of seafood snacks	Market Supervising Bureau of Xiamen City (廈門市市場監管局)	28 September 2021

Note:

- As advised by our PRC Legal Advisers, there is no legal impediment in renewing such licence.

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Our administration department is responsible for monitoring the validity status of our permits, licences and certifications, as well as preparing timely applications for renewal of the relevant permits, licences and certifications. The renewal procedures for the above key permits, licences and certifications are to be carried out within six months prior to the expiration dates. As advised by our PRC Legal Advisers, according to Article 29 of Measures for the Administration of Food Operation Licence, which was promulgated on 31 August 2015 and became effective on 1 October 2015, where a food dealer needs to renew the term of validity of a food operation licence, it shall, within 30 days prior to the expiry of the term of its Food Operation Licence, submit an application to the original licensing authority for replacing the Food Operation Licence with a new one. The same provisions apply to the renewal of the food distribution licence. We confirm that we will renew its Food Operation Licence in accordance with the law promptly before they expire. Our Directors are not aware of any reason that would cause or lead to non-renewal of our permits, licences and certifications.

AWARDS AND RECOGNITION

The following table sets forth the major awards and recognitions received by us during our operating history:

<u>Date/Year of Grant</u>	<u>Award or Recognition</u>	<u>Awarding Body</u>
December 2012	The Most Cost-effective Specialty Souvenir in Taiwan and Fujian in 2012 (2012年閩台特色伴手禮最具性價比獎)	Xiamen Municipal Bureau of Commerce, Xiamen Municipal Bureau of Tourism, Xiamen Municipal Bureau of Quality Supervision and Xiamen Daily
2012	The Best Supplier of Fresh Food in 2012 (2012年度鮮食部最佳供應商)	One of our top ten customers
March 2013	Integrity Unit 2012 (2012年度誠信單位)	Xiamen Huli District Consumer Protection Committee
May 2013	The Growth Small and Medium Enterprise in Xiamen in 2013-2014 (2013-2014年度廈門市成長型中小企業)	Xiamen City Economic Development Bureau, Xiamen City Office of Small and Medium Enterprises
May 2015	The Most Growth Small, Medium and Micro Enterprises in Xiamen in 2015-2016 (2015-2016年度廈門市最具成長性中小微企業)	Xiamen City Economic Development Bureau, Xiamen City Office of Small and Medium Enterprises

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INTELLECTUAL PROPERTY

We have marketed our business in the PRC using “Wofan” (沃豐) as our brand name. As at the Latest Practicable Date, we had registered two trademarks and six patents, and we also had three patent applications pending approval in the PRC. As at the Latest Practicable Date, we had registered one trademark in Hong Kong. Detailed information of our material intellectual property rights is set out in the section headed “Statutory and General Information — 6. Further Information about our Business — B. Our Intellectual Property Rights” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringement, nor any pending or threatened claims in relation thereto, (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. Our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights.

EMPLOYEES

As at the Latest Practicable Date, we had 423 full-time employees in the PRC and one full-time employee in Hong Kong. A breakdown of our employees by function as at the respective financial position dates indicated and the Latest Practicable Date is set forth below:

	As at 31 December			As at the
	2014	2015	2016	Latest Practicable Date
Sales and promotion	220	234	264	292
Production	38	59	63	66
Inventory	11	14	14	17
Quality control	9	14	18	18
Administration	8	13	13	13
Procurement	5	5	5	5
Research and development	4	6	7	7
Finance	4	5	6	6
Total:	299	350	390	424

We recruit our personnel from the labour market and we enter into employment contracts with them. In order to promote overall efficiency, employee loyalty and retention, we provide our employees with on-the-job training and education. Most of our senior management have been promoted internally. Our staff receive training on a regular basis to familiarise themselves with the requirements of their job and to enhance their knowledge in the latest trends and techniques. A specialised training programme is provided to all our new recruits for cultural integration and to promote our quality standards. A probation period may be imposed on our new recruits depending on their relevant industry experience. At the end of their probation period, they will be confirmed as full-time employees if their respective supervisors are satisfied with their performance during the probation period. We offer attractive remuneration packages to our employees. We pay in respect of our employees in the PRC social security funds including, pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for

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maternity leave and housing provident fund contributions as required under the PRC laws and regulations. For our employee in Hong Kong, we provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

There had not been any labour strike within our Group during the Track Record Period.

INSURANCE

During the Track Record Period, we had maintained motor vehicle insurance and property insurance for the inventory stored in our warehouses in the PRC. The inventory insurance policy covers the damages or costs spent on the insured inventory due to loss resulting from burglary. As at the Latest Practicable Date, we had also taken out product liability insurance to cover the sales of our dried seafood and money insurance for loss of cash. We rely on our stringent quality control to limit our product liability risks.

For the years ended 31 December 2014, 2015 and 2016, the total insurance cost amounted to approximately RMB16,000, RMB31,000 and RMB64,000, respectively. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not make any claim in respect of the insurance taken by us. Our Directors consider that our insurance coverage is sufficient and in line with normal commercial practices in the PRC.

PRODUCT LIABILITY

As at the Latest Practicable Date, we had maintained product liability insurance coverage in the total amount of RMB1.0 million, limited to RMB0.5 million per incident. During the Track Record Period, we did not encounter any material product liability claim by our customers.

MARKET COMPETITION

We compete with other seafood and algae sellers in the PRC for each product category we sell and as a food product seller. Seafood and algae in the PRC are selected primarily based on price, brand recognition and taste. Food product sellers compete on the basis of predicted product sales, the stability of their supplies and the number and diversity of their products. We consider large companies engaged in the fast moving snack product industry with access to financial resources, ability and experience in product innovation a challenge to our Group.

We believe, however, that we are able to remain competitive in the seafood and algae industries as we have (i) stable supply of our major raw materials; (ii) recognised quality control system for maintaining high standards of our products; and (iii) an experienced management team. Please refer to the sections headed “Industry Overview — Seafood and Algae Industries in China” and “Business — Our Competitive Strengths” in this prospectus for further details.

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PROPERTIES

The following table sets out a summary of the properties leased by us which are considered material (our packaging facility, warehouse, cold storage facilities, office space and market stall):

Address and Description of Location	Use of Property	Approximate Area (sq.m.)	Duration of Lease	Landlord
Room 0196, 5th Floor, Block 2, No. 14 Huli Road, Huli District, Xiamen City, Fujian Province, the PRC (中國福建省廈門市湖裏區 湖裏街14號二號樓五層 0196室) ⁽¹⁾	Office	60	From 8 March 2016 to 7 March 2018	Independent Third Party
5th Floor, No. 5 Factory, Meixi Road, Huandong Waters, Tongan District, Huli Industrial Park, Xiamen City, Fujian Province, the PRC (中國福建省廈門市同安區 環東海域美溪道湖裏工業園 5號廠房五樓)	Packaging facility, warehouse and office	2,294.67	From 1 July 2016 to 31 December 2018	Connected person (Please refer to the section headed “Connected Transactions” for further details.)
Room 101, No. 35 Wanghai Road, Xiamen Software Park Phase 2, Xiamen City, Fujian Province, the PRC (中國福建省廈門市軟件園 二期望海路35號101單元)	Office	395.24	From 10 August 2015 to 9 August 2018	Independent Third Party
Gaoqi Zhongpu Aquatic Products Wholesale Market, Xiamen City, Fujian Province, the PRC (中國福建省廈門市 高崎中埔水產批發市場) ⁽¹⁾	1. Two cold storage for storing frozen seafood 2. One market stall for the wholesale and retail sales of frozen seafood	200	From 4 February 2017 to 28 February 2018	Independent Third Party
		N/A ⁽²⁾	From 4 February 2017 to 9 March 2018	Independent Third Party

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Address and Description of Location	Use of Property	Approximate Area (sq.m.)	Duration of Lease	Landlord
Block A, Logistic Park, Northern Area of Xiamen Airport, Aoshan Road, Huli District, Xiamen City, Fujian Province, the PRC (中國福建省廈門市 湖裏區龍山路機場北區 物流園A棟) ⁽¹⁾	One cold storage for storing frozen seafood	1,500	From 1 January 2017 to 31 December 2017	Independent Third Party
Room 610-8, Sikouzhen Village, Xinmin Town, Tongan District, Xiamen City, Fujian Province, the PRC (中國福建省廈門市同安區 新民鎮四口圳村610-8室) ⁽¹⁾	Office for Tongan branch of Xiamen Wofan	50	From 1 March 2015 to 28 February 2018	Independent Third Party
No. 100, Dongshan Village, Sansha Town, Xiapu County, Ningde City, Fujian Province, the PRC (中國福建省寧德市 霞浦縣三沙鎮東山村 100號) ⁽¹⁾	1. Office 2. Warehouse for storing our products	30 1,600	From 25 October 2014 to 24 October 2024 From 7 November 2016 to 9 November 2017	Independent Third Party
2/F, No. 100, Dongshan Village, Sansha Town, Xiapu County, Ningde City, Fujian Province, the PRC (中國福建省寧德市 霞浦縣三沙鎮東山村 100號二樓) ⁽¹⁾	Office	50	From 10 November 2016 to 9 November 2017	Independent Third Party

Note:

- (1) The landlords of these properties are not able to provide the relevant property ownership certificates.
- (2) The relevant lease agreement does not stipulate the approximate area of the leased property.

As at the Latest Practicable Date, we had not registered all of the abovementioned leases except for the plants located at 5th Floor, No. 5 Factory, Meixi Road, Huandong Waters, Tongan District, Huli Industrial Park, Xiamen City, Fujian Province, the PRC.

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As advised by our PRC Legal Advisers, non-registration of these leases will not affect the validity or enforceability of such leases, but we could be subject to a fine ranging from RMB1,000 to RMB10,000 in respect of each lease agreement that is not registered should we fail to effect the registration of the lease agreements upon request by the relevant authority. However, as the landlord of most of the aforementioned leased properties cannot provide title documents, we may be forced to relocate if another person is proved to be the legal owner of the leased property. For details, please refer to the section headed “Risk Factors — Risks Relating to our Business — Some of our leased properties have defective titles and we may be required to cease occupation and use of such leased properties if there is a valid claim for them” in this prospectus. As at the Latest Practicable Date, we had not been fined by any regulatory authorities for non-registration of any our lease agreements, nor were we subject to any material claims in connection with such non-registration.

Our Directors are of the view that our business, financial condition and results of operation will not be materially affected by any possible fines imposed on us or other consequences resulting from the non-registration of our leases, as (i) we can find comparable properties to relocate our operations and such properties are readily available in the surrounding area, (ii) we do not anticipate any material difficulties in relocating our operations or any material losses in relocating our inventories, (iii) for the location of our packaging facilities, the lessor of the leased plants owns the title certificates of the leased plants and we had registered our lease and filed it with the competent authority and (iii) the estimated total costs and expenses for relocating our operations at these leased properties will not be material.

In addition, our Controlling Shareholders have executed a Deed of Indemnity in favour of our Group whereby they will indemnify each member of our Group against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered by or incurred by our Group as a result of, directly or indirectly or in connection with, the non-registration of these leased properties.

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by rule 5.01A of the Listing Rules to include in this prospectus any valuation reports. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors are responsible for the formulation and overseeing the implementation of our internal control measures and effectiveness of quality and risk management system. We have also established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations.

Details of risks identified by our management, the major risk factors of which are set out in the section headed “Risk Factors” in this prospectus, and management measures and policies in March 2016 have been codified and adopted by us.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will adopt, among other things, the following corporate governance and internal control measures:

- the establishment of an audit committee responsible for overseeing the financial records, internal control procedures and risk management systems of our Company;
- the appointment of Mr. Wong Wai Lun as our chief financial officer and company secretary to ensure the compliance of our operation with the relevant laws and regulations. For his biographical details, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus;
- the appointment of Dongxing Securities as our compliance adviser upon the Listing to advise us on compliance with the Listing Rules; and
- the engagement of external legal advisers to advise us on compliance with the Listing Rules and to ensure we will not be in breach of any relevant regulatory requirements or applicable laws, where necessary.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against our Group or any of our Directors which have a material adverse effect on our Group’s financial condition or results of operations. Save as disclosed in this prospectus, our Directors are not aware of any historical and material non-compliance of our Group during the Track Record Period and as at the Latest Practicable Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Liu, through Precisely Unique (a company wholly owned by him), owned 70% of issued share capital of our Company. Immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Scheme), Mr. Liu, through Precisely Unique, will own 52.5% of issued share capital of our Company. Therefore, Mr. Liu and Precisely Unique are our Controlling Shareholders. Precisely Unique is an investment holding company wholly owned by Mr. Liu, whereas Mr. Liu is our chairman and an executive Director. For details of Mr. Liu, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

RELATED INTEREST

During the Track Record Period, our Group took part in the research of porphyra polysaccharide products, such as porphyra soy sauce and porphyra sauce. We have not commenced any operations in this regard, except for conducting a feasibility study and research on the porphyra polysaccharide products and hiring two staff (“**Relevant Staff**”) who were expected to manage this business when it commenced. Our Directors originally planned to be engaged in the business of research, production and sale of porphyra polysaccharide products (“**Excluded Business**”). However, the Board had ultimately determined that it would be in the best interest of our Company to set aside this business plan and delink it completely from the planned use of our net proceeds from the Global Offering having considered the following factors: (i) while the Board remains positive in its view that the Excluded Business would offer attractive growth opportunity that would not be substantially different from our Group’s existing business in term of source of raw material supply and sales channels, the Board recognises that since porphyra products are brand-new products to the market, there are only a dearth of market data and quantitative analysis such as market demand, business prospect and competitive landscape to lend support or justification of the Board’s view on the potential of the Excluded Business; (ii) the anticipated revenue contributed from the Excluded Business is relatively significant and therefore our Directors do not wish to have a substantial change to our business focus and product mix; and (iii) our management has no prior experience in managing the Excluded Business. As stated in the section headed “Future Plans and Use of Proceeds” in this prospectus, our Company has recognised the more immediate needs of its business expansion in order to remain competitive in the industry. Therefore, after careful and thorough deliberation, we decided, instead of entering into the Excluded Business at this stage, we will expand the geographical reach of our existing business as a matter of priority to remain competitive. For details of the Company’s future plan and strategies, please refer to “Business — Strategies” and “Future Plans and Use of Proceeds” in this prospectus. Under the circumstances, Mr. Liu, through his wholly owned company Fujian Condiment, has taken over the Excluded Business instead. During the Track Record Period, no revenue has been generated from the Excluded Business. The total cost incurred by us in relation to the Excluded Business included: (i) the cost of purchasing the patent on the production method of porphyra polysaccharide in the amount of RMB100,000; (ii) the cost of compiling a feasibility study report for the Excluded Business in the amount of RMB80,000 and; (iii) the cost of hiring the Relevant Staff in the amount of approximately RMB114,000. Such costs were accounted for as expenses prior to the Patent Transfer (defined below) and the consideration of RMB100,000 (“**inclusive of VAT**”) received for the Patent Transfer has been recognised as other income in the Group’s financial statement for the financial year ended 31 December 2016.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In order to enable our Controlling Shareholders to carry on the Excluded Business, we entered into a patent transfer agreement dated 24 October 2016 with Fujian Condiment, pursuant to which we agreed to transfer the patent relating to production method of anti-allergic porphyra polysaccharide to Fujian Condiment at a consideration of RMB100,000 which was determined on the basis of willing buyer and seller on arm's length basis based on historical acquisition cost of developing the patent (“**Patent Transfer**”) and the Patent Transfer was completed on 24 November 2016. The Excluded Business is operated independently from our Group and has complete segregation of staffing, internal control, financial, accounting and treasury management that are entirely independent of those of our Group. Mr. Liu is not involved in any day-to-day management of the Excluded Business.

Our Directors are of the view that there is a clear delineation of Excluded Business from our operations on the following grounds:

- (i) our Group is no longer involved in any business involving porphyra polysaccharide products and has no plan to do so in the near to medium term; and
- (ii) although there may be overlapping of customers for our Group's business and the Excluded Business, our Directors are of the view that our Group's major products, namely dried seafood, seafood snacks, frozen seafood, algae and fungi, are different in nature and therefore would not be regarded as in competition with the products of the Excluded Business, namely porphyra soy sauce and porphyra sauce.

Further, our Controlling Shareholders may choose to appoint us as their sole distribution agent in future to leverage on our sales channel to distribute their porphyra polysaccharide products on market terms based on arm's length negotiations which Mr. Liu will abstain from participating in. Such transactions, if materialised, will constitute continuing connected transaction for us and be subject to the requirements under the Chapter 14A of the Listing Rules.

Further, pursuant to the Deed of Non-Competition, Mr. Liu granted us a right of first refusal to acquire his interest in the Excluded Business, which is further described under the paragraph headed “Deed of Non-Competition” in this section below.

Separately, as at the Latest Practicable Date, Mr. Liu's spouse, namely Lin Yueying (林月英), owned 89.44% equity interest in Xiamen Yehong, which does not have any business operation other than holding properties. Xiamen Yehong has entered into a tenancy agreement with us, details of which are set out in the section headed “Connected Transactions” in this prospectus.

Save as disclosed above and apart from the business of our Group, as at the Latest Practicable Date, none of our Controlling Shareholders and Directors has carried on any other business, which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration of the following factors, our Board is satisfied that our Group is capable of carrying out our business independently from our Controlling Shareholders and their respective close associates upon or after the Listing.

Operational Independence

Our Company is capable of making independent decisions on business operations. Although our Controlling Shareholders retain a controlling interest in our Company after the Listing, it does not prevent us from exercising full rights to carry out our own decisions on the business operations.

Save as disclosed in the section headed “Connected Transactions” in this prospectus, we do not rely on our Controlling Shareholders for our supply, business development, staffing, capital, equipment, intellectual properties or marketing and sales activities upon the Listing. We have independent access to suppliers, sales channels and customers and an independent management team to handle our day-to-day operations. We hold or enjoy the benefit of all relevant licences necessary to carry on our businesses.

Accordingly, our Directors believe that we are able to maintain operational independence from our Controlling Shareholders and their respective close associates.

Management Independence

Our management and operational decision are made by our Board and senior management. Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Liu, one of our Controlling Shareholders, is also our chairman and an executive Director. He is also a director of all subsidiaries of our Company.

Our Group has established an (i) audit committee, (ii) remuneration committee and (iii) nomination committee. Each committee includes independent non-executive Directors so as to monitor the operation of our Group. Further, we believe that our independent non-executive Directors will be able to exercise their independent judgement and will be able to provide impartial opinion and professional advice in the decision-making process of our Board to protect the interests of our Shareholders.

Each Director understands that, he/she owes primary duties to our Company and is aware of his/her fiduciary duties as a Director which requires, among others, that he/she must act for the benefit of and in the best interests of our Company and shall avoid any conflict between his/her personal interests and those of our Company. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) and their respective associate(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Company has also established internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Since all of our executive Directors have substantial experience in their respective expertise areas and/or in the industry in which our Group is engaged, we believe that they will be able to make business decisions that are in the best interest of our Group. Further, our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

Having considered the above factors, our Directors are satisfied that our Board as a whole together with our senior management team are able to make independent managerial decisions having regard to their own knowledge of the corporation and their experience and skills.

Financial Independence

Our Company is empowered to make independent decision in respect of business financial matters. Our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and the ability to operate independently of our Controlling Shareholders from financial perspective. During the Track Record Period, we had an amount due to Mr. Liu, which is non-trade nature and the balance was unsecured, interest-free and repayable on demand, details of which are set out in note 25 to Appendix I to this prospectus. As at 31 December 2016, the amount due to Mr. Liu was fully settled. Further, during the Track Record Period, the bank facilities available to our Group were secured by (i) a corporate guarantee provided by a company controlled by Mr. Liu's spouse; (ii) personal guarantees provided by Mr. Liu and the close family members of Mr. Liu; and (iii) a legal charge over a property held by Mr. Liu, which amounted to approximately RMB1.2 million, details of which are set out in the section headed "Financial Information — Indebtedness" in this prospectus. On 4 May 2016, all bank borrowings were settled and all banking facilities were released. Our Directors confirm that all guarantee or loan provided by our Controlling Shareholders or their respective associates in favour of our Group have been released or repaid before the Listing.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has confirmed that none of them nor any of its/his close associates is engaged in, involved in or interested in any business (other than being a director or shareholder of our Group) which, directly or indirectly, competes or may compete with our business save as disclosed in the paragraph headed "Related Interest" above. To protect our Group from any potential competition, our Controlling Shareholders have entered into the irrevocable Deed of Non-competition in favour of our Company (for itself and for the benefits of its subsidiaries) pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates (other than our Group):

- (i) not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which competes or is likely to compete, directly or indirectly, with the business of our Group referred to in this prospectus

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

and any other business from time to time conducted, carried on or contemplated to be carried on by any member of our Group or in which any member of our Group is engaged or has invested or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) (the “**Restricted Activity**”) save for the holding of not more than 5% shareholding interests (individually or with any of our Controlling Shareholders and their respective associates) in any listed company and the Excluded Business;

- (ii) to provide all information requested by our Company which is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition; and
- (iii) to make an annual declaration on compliance with its undertaking under the Deed of Non-competition in the annual reports of our Company as our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

Each of our Controlling Shareholders has unconditionally and irrevocably undertaken to us that in the event that it/he or its/his close associate(s) (other than any member of our Group) (the “**Offeror**”) is given or offered or has identified any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Activity (the “**New Opportunities**”), it/he will and will procure its/his close associate(s) (other than members of our Group) to refer the New Opportunities to us as soon as practicable in the following manner:

- (i) each of our Controlling Shareholders is required to, and shall procure its/his close associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the “**Offer Notice**”); and
- (ii) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities; or (b) the Offeror has not received such notice from us within 10 business days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will form an independent board committee (the “**Independent Board Committee**”) which comprises all our independent non-executive Directors without the attendance by any Director with beneficial or conflicting interest in such project or business opportunities and seek opinions and decisions from our Independent Board Committee in the manner as to whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunities.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Where our Controlling Shareholders and/or their close associates (other than our Group) have acquired any business, investment or interest in any entity relating to the Restricted Activity pursuant to the immediately preceding point (ii) above, our relevant Controlling Shareholders and/or their associates (other than our Group) shall provide us with pre-emptive right (the “**Pre-emptive Right**”) to acquire any such business, investment or interest under the same circumstances. Where our Independent Board Committee decides to waive the Pre-emptive Right by way of written notice, our relevant Controlling Shareholders and/or their close associates (other than our Group) may offer to sell such business, investment or interest in Restricted Activity to other third parties on such terms which are no more favourable than those made available to our Group. In deciding whether to exercise the above options, our Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

Mr. Liu has granted a right of first refusal (“**Right of First Refusal**”) to our Company pursuant to which when Mr. Liu plans to sell his interest in the Excluded Business, he shall give our Company notice in writing and we shall have the right to purchase such interest in the Excluded Business during the Relevant Period.

Our Company shall only exercise the Right of First Refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). Mr. Liu shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest for considering whether or not to exercise the right of first refusal. Any decision on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed(s) will be disclosed in the annual report of our Company, and if appropriate, our Company will consider issuing announcements.

While the Excluded Business is operated independently of our Group, the raw materials used to produce our algae products may overlap with a key raw material used by the Excluded Business in its production of the porphyra polysaccharide products. To address such potential conflict of interest issue, Mr. Liu undertakes to us in the Deed of Non-competition that should there be a shortage in supply of raw materials for algae products in the market (as determined solely by our Company), Mr Liu and Fujian Condiment will take such steps as desirable to avoid competition with us in sourcing these raw materials from our suppliers.

For the above purpose, the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of:

- (i) the date on which our Controlling Shareholders and their associates, individually or taken as a whole, cease to be our Controlling Shareholders for the purpose of the Listing Rules; and
- (ii) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

The Deed of Non-competition is subject to and conditional upon the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and Directors and our Group will be taken:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) decision of the exercise or non-exercise of the Right of First Refusal shall be determined by our independent non-executive Directors only and our independent non-executive Directors are empowered to engage professional parties at our cost for advice on matters relating to the Right of First Refusal;
- (iii) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (iv) our Controlling Shareholders have undertaken under the Deed of Non-competition to provide all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and whether to exercise the Right of First Refusal or not and the enforcement of undertakings and under the Deed of Non-competition;
- (v) our Company will disclose in the annual report of our Company or, where our Board considers is appropriate by way of announcement(s), the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition;
- (vi) our Controlling Shareholders have undertaken to us under the Deed of Non-competition to make an annual declaration as to compliance with the terms of the Deed of Non-competition in the annual report of our Company and will abstain from our business and management decisions relating to the Excluded Business;
- (vii) the Independent Board Committee of our Company comprising all independent non-executive Directors will be responsible for deciding and given the authority to decide, without attendance by any Directors with beneficial or conflicting interest in the New Opportunities referred to our Group by our Controlling Shareholders (or their associates other than members of our Group) and the exercise of the Pre-emptive Right under the Deed of Non-competition. We believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of our Shareholders. For more details of expertise and experience of our independent non-executive Directors, please refer to the section headed “Directors,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Senior Management and Employees” in this prospectus. In addition, the Independent Board Committee may, at the costs of our Company and from time to time, engage independent financial adviser and other external professional advisers as they may consider necessary to advise them on the issues which relate to the above matters; and

- (viii) our Company has established internal control mechanism to identify connected transactions, and will comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting and independent Shareholders’ approval requirements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

UNDERTAKINGS

Each of our Controlling Shareholders has given undertakings in respect of the Shares to our Company and the Stock Exchange as required under Rule 10.07 of the Listing Rules.

Each of our Controlling Shareholders has further voluntarily undertaken to our Company that except pursuant to the Global Offering, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not:

- (i) at any time during the period of six months from the date on which the period referred to in Rule 10.07(1)(a) of the Listing Rules expires, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the relevant securities (in respect of which each relevant Controlling Shareholder is shown by this prospectus to be the beneficial owner); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in (a), (b) or (c) above (“**First Undertaking**”);
- (ii) at any time during the period of 24 months from the First Undertaking expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be the controlling shareholder (as defined under the Listing Rules) of our Company. Such undertaking may only be waived by all our independent non-executive Directors.

The above undertakings may only be waived by all our independent non-executive Directors.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

Upon the Listing, transactions between our Group and our connected persons will constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Upon the Listing, the following persons or entities, with whom we have entered into certain transactions in the ordinary and usual course of our business, will become our connected persons:

- **Mr. Liu**

Mr. Liu is our Controlling Shareholder. As at the Latest Practicable Date, Mr. Liu was interested in 70% of the total issued share capital of our Company. Upon completion of the Global Offering and the Capitalisation Issue, Mr. Liu will be interested in 52.5% of the total issued share capital of our Company (assuming the Over-allotment Option is not exercised) or approximately 50.6% of the total issued share capital of our Company (assuming the Over-allotment Option is exercised in full). Mr. Liu will continue to be our Controlling Shareholder and thus our connected person as defined under Chapter 14A of the Listing Rules after the Listing.

- **Xiamen Yehong**

As at the Latest Practicable Date, Xiamen Yehong is owned by Lin Yueying (林月英), Liu Shuping (劉舒萍) and an Independent Third Party as to 89.44%, 5.56% and 5%, respectively. Lin Yueying is Mr. Liu's spouse and Liu Shuping is Mr. Liu's niece. Therefore, Xiamen Yehong is a close associate of Mr. Liu and therefore our connected person as defined under Chapter 14A of the Listing Rules. Xiamen Yehong does not have any business operation other than holding properties.

- **Liu Rongjian (劉榮建) and Liu Rongzhong (劉榮忠)**

Each of Liu Rongjian and Liu Rongzhong is a cousin of Mr. Liu and therefore a deemed connected person of Mr. Liu under Chapter 14A of the Listing Rules.

Accordingly, upon the Listing the following transactions between each of the connected persons and our Group, which have been entered into in the ordinary and usual course of our business on a recurring and continuing nature, will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Summary Table of Continuing Connected Transactions

Nature of Transactions	Waiver Sought	Historical Amounts (RMB'000)	Proposed Annual Cap for the Year ending 31 December (RMB'000)
Exempt Continuing Connected Transactions			
1. . . . Tenancy Agreement	N/A	2014: 36 2015: 36 2016: 128	2017: 220 2018: 220
Non-exempt Continuing Connected Transactions			
1. . . . Supplying Agreement with Liu Rongjian	Announcement requirement	2014: 1,433 2015: 2,637 2016: 978	2017: 1,500 2018: 1,500 2019: 1,500
2. . . . Supplying Agreement with Liu Rongzhong	Announcement requirement	2014: 2,650 2015: 2,600 2016: 1,212	2017: 1,500 2018: 1,500 2019: 1,500

EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group, which are exempt from the reporting, annual review, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Tenancy Agreement

Parties: Xiamen Yehong (as the landlord); and
Xiamen Wofan (as the tenant)

Background and Principal Terms:

Pursuant to the tenancy agreement dated 28 June 2016 between Xiamen Yehong and Xiamen Wofan, Xiamen Yehong leased to Xiamen Wofan the property 5th Floor, No. 5 Factory, Meixi Road, Huandong Waters, Tongan District, Huli Industrial Park, Xiamen City, Fujian Province, the PRC (中國福建省廈門市同安區環東海域美溪道湖裏工業園5號廠房五樓) (the "Leased Property") for a period from 1 July 2016 to 31 December 2018 at the rental of RMB220,000 per year, which is determined based on the prevailing market rate. Xiamen Wofan uses the Leased Property as packaging facilities, warehouse and office.

CONNECTED TRANSACTIONS

Historical Figures:

The rental for the lease of the Leased Property for the years ended 31 December 2014, 2015 and 2016 were RMB36,000, RMB36,000 and RMB128,000, respectively. The historical rent before the signing of the tenancy agreement dated 28 June 2016 was lower than the prevailing market rate.

Listing Rules Implications:

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is on an annual basis less than 0.1%, the transactions under the tenancy agreement will be exempted from the reporting, annual review, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group, which are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Supplying Agreements with Liu Rongjian and Liu Rongzhong

Parties: Xiamen Wofan (as the buyer) entered into two separate supplying agreements with each of Liu Rongjian (as the seller) and Liu Rongzhong (as the seller).

Background and Principal Terms:

Xiamen Wofan entered into two separate supplying agreements with each of Liu Rongjian and Liu Rongzhong (both of them are fishermen suppliers) on 26 April 2017 pursuant to which each of Liu Rongjian and Liu Rongzhong agreed to supply the unprocessed seafood (including fish, shrimp, cuttlefish, squid and scallop) as raw materials for Xiamen Wofan to produce the seafood for a term from the date of the agreements to 31 December 2019. The principal terms of the two agreements which are largely consistent save for necessary differences in parties and quantities are as follows:

- the price to be paid by Xiamen Wofan will be determined with reference to the prevailing market price of the relevant products and in any event shall not be higher than the price that Xiamen Wofan can purchase the similar products from the Independent Third Party;
- the payment will be settled every month by way of wire transfer;
- Xiamen Wofan has the right to refuse to purchase the raw materials if such raw materials do not meet its requirements; and
- Xiamen Wofan has the right to terminate the agreement with three months' notice.

CONNECTED TRANSACTIONS

Reasons for the Transaction:

The transactions under these two supplying agreements enable us to obtain the necessary raw materials for our production at the prevailing market price which shall not be higher than the price that Xiamen Wofan can purchase the similar products from the Independent Third Party.

Historical Figures:

The amounts of transaction in respect of the procurement of raw materials by our Group from each of Liu Rongjian and Liu Rongzhong for the years ended 31 December 2014, 2015 and 2016 were set out below:

	For the year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
From Liu Rongjian	1,433	2,637	978
From Liu Rongzhong	2,650	2,600	1,212

The transaction amounts in 2016 is significantly lower than those in 2015 because our Company would like to reduce its reliance on its connected persons in anticipation of the Listing and therefore procured less raw materials from each of Liu Rongjian and Liu Rongzhong in 2016.

Annual Caps:

The maximum aggregate annual amount in respect of the procurement of raw materials from each of Liu Rongjian and Liu Rongzhong for the years ending 31 December 2017, 2018 and 2019 shall not exceed the proposed annual caps set out below:

	For the year ending 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
From Liu Rongjian	1,500	1,500	1,500
From Liu Rongzhong	1,500	1,500	1,500

Basis of Proposed Annual Caps:

In determining the above annual caps, we have considered the following: (i) the historical prices of the raw materials supplied by each of Liu Rongjian and Liu Rongzhong and (ii) the expected market condition and general cost inflation of these raw materials in the next few years.

CONNECTED TRANSACTIONS

Listing Rules Implications:

As the supplying agreements with each of Liu Rongjian and Liu Rongzhong are similar in nature, the highest applicable percentage ratio for the three financial years ending 31 December 2017, 2018 and 2019 calculated for the purpose of Chapter 14A of the Listing Rules for the transactions contemplated under these two supplying agreements as aggregated is expected to be more than 0.1% but less than 5% on an annual basis, such transactions will, upon the Listing, constitute continuing connected transactions of our Company subject to annual reporting, annual review and announcement requirements, but will be exempted from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Our Directors consider that the suppliers under these agreements are widely available and may be sourced from alternative suppliers such that our Company is not dependent on these contracts with Liu Rongjian and Liu Rongzhong.

Pricing Policy:

We adopt the following procedures and principles to determine the price for procurement of raw materials whether with connected persons or otherwise:

- our procurement department will regularly monitor the prevailing market price of the raw materials and update the reference price for the raw materials once a month; and
- our Group will treat our connected persons and independent suppliers equally. Thus, on the condition that the relevant quality requirements are satisfied, if we can obtain more preferential terms from independent suppliers, for instance better payment terms, we will not procure the products from our connected persons.

OUR DIRECTORS' CONFIRMATION

Our Directors (including our independent non-executive Directors) are of the view that (i) the non-exempt continuing connected transactions described above, and for which waiver have been sought, have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms or better that are fair and reasonable and in the interest of our Company and its Shareholders as a whole; and (ii) the proposed annual caps for these transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

THE SOLE SPONSOR'S CONFIRMATION

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions described above, and for which waiver have been sought, have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms or better that are fair and reasonable and in the interest of our Company and its Shareholders as a whole; and (ii) the proposed annual caps for these transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONNECTED TRANSACTIONS

WAIVERS FROM THE STOCK EXCHANGE

In relation to the continuing connected transactions described under the paragraph headed “Non-exempt Continuing Connected Transactions” of this section, since the highest applicable percentage ratio for the three financial years ending 31 December 2017, 2018 and 2019 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 0.1% but less than 5% on an annual basis, such transactions will, upon the Listing, constitute continuing connected transactions of our Company subject to annual reporting, annual review and announcement requirements, but will be exempted from circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the above non-exempt continuing connected transactions are expected to continue after the Listing on a recurring and continuing basis and have been fully disclosed in the prospectus, our Directors consider that strict compliance with announcement requirement would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement pursuant to Rule 14A.105 of the Listing Rules, provided that the total value of transactions for each of the three financial years ending 31 December 2017, 2018 and 2019 will not exceed the relevant annual caps set forth above. We shall strictly comply with other relevant requirements under Chapter 14A of the Listing Rules. Our independent non-executive Directors and auditors of our Company will review whether the non-exempt continuing connected transactions have been entered into based on the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmations of our independent non-executive Directors and our auditors will be disclosed annually, as required by the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The following table sets out information concerning our Directors and senior management:

Name	Age	Position	Date of Appointment/ Redesignation	Date of Joining our Group	Role and Responsibilities	Relationships with Other Directors or Senior Management
<u>Directors</u>						
Liu Rongru (劉榮如)	49	Chairman and executive Director	Appointed as a Director on 8 January 2016 and redesignated as an executive Director on 11 April 2016	1 July 2005	Development, positioning and strategy planning of our Group	Brother-in-law of Liu Zhengping
Jiang Dehua (蔣德華)	40	Executive Director and chief executive officer	Appointed as an executive Director on 11 April 2016	19 October 2010	Business development, marketing strategy, sales management and strategic planning of our Group	N/A
Lin Jiangtang (林江棠)	34	Executive Director	Appointed as an executive Director on 11 April 2016	10 November 2015	Supervising legal related matters of our Group	N/A
Huang Xingluan (黃興學)	42	Independent non-executive Director	Appointed as an independent non-executive Director on 22 June 2017	22 June 2017	Supervising and providing independent judgement to the Board	N/A
Liu Dajin (劉大進)	51	Independent non-executive Director	Appointed as an independent non-executive Director on 22 June 2017	22 June 2017	Supervising and providing independent judgement to the Board	N/A
Cheng Shing Yan (鄭承欣)	42	Independent non-executive Director	Appointed as an independent non-executive Director on 22 June 2017	22 June 2017	Supervising and providing independent judgement to the Board	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of Appointment/ Resignation	Date of Joining our Group	Role and Responsibilities	Relationships with Other Directors or Senior Management
<u>Senior Management (other than the executive Directors)</u>						
Liu Zhengping (劉崢平)	46	chief procurement officer	1 August 2009	1 August 2009	Developing strategic plans and overall management of our Group's procurement	Brother-in-law of Mr. Liu
Lin Lizhen (林麗珍)	35	chief sales officer	28 April 2012	28 April 2012	Developing strategic plans and overall management of our Group's sales	N/A
Zhang Jincong (張錦聰)	50	chief production officer	1 January 2009	1 January 2009	Developing strategic plans and overall management of our Group's production	N/A
Wong Wai Lun (黃偉倫)	33	chief financial officer and company secretary	11 April 2016	21 March 2016	Overseeing the financial and compliance matter of our Group	N/A

Executive Directors

Mr. Liu Rongru (劉榮如), aged 49, is our executive Director and the chairman of our Board and is primarily responsible for development, positioning and strategy planning of our Group. Mr. Liu is the founder of our Group. He is currently a director of all subsidiaries of our Group, namely Billion Bond, New Lead, Xiamen Wofan and Fujian Wofan. He is also a member of our remuneration committee and the chairman of our nomination committee.

In the earlier period of his career, Mr. Liu worked at Xiamen Shipping Trading Limited (廈門經貿船務有限公司) in China from August 1990 to August 1996, a company principally engaged in shipping and trading, where he was primarily responsible for ship steering and piloting. In October 1996, Mr. Liu started up his own business in trading marine product where he was primarily in charge of the general operation of the business which allowed him to input his trading experience into Xiamen Wofan upon its establishment in July 2005.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Liu attended the modern CEOs advance course (現代企業總裁高級研修班) from October 2010 to October 2011 at School of Continuing Education, Tsinghua University (清華大學繼續教育學院). Mr. Liu has been a member of the 7th Chinese People's Political Consultative Conference at Xiamen Huli district (廈門市湖裡區第七屆政協委員) since November 2011 and a member of the China Democratic National Construction Association (中國民主建國會會員) since November 2010. Mr. Liu had also been the first vice president of the Association for New Social Stratum of Xiamen Huli district (廈門湖裡區首屆新的社會階層人士聯誼會副會長) in December 2009, the executive committee of the 12th Xiamen Federation of Commerce of Chamber (廈門市工商聯(總商會)第十二屆執委會執委) in December 2011, the standing committee member of the 5th Xiamen Huli district Federation of Commerce of Chamber (廈門市湖裡區工商聯(商會)第五屆理事會常務理事) in April 2012 and the supervisor of the third division of the Xiamen Municipal Bureau of Quality and Technical Supervision (廈門市質量技術監督局第三分局行風監督員) in April 2015.

Save as disclosed above, Mr. Liu does not currently hold or has not held any directorships in other listed companies in Hong Kong or overseas in the past three years.

Mr. Jiang Dehua (蔣德華), aged 40, is our executive Director and the chief executive officer of our Group. He is primarily responsible for business development, marketing strategy, sales management and strategic planning of our Group. Mr. Jiang joined our Group in October 2010 and was appointed as the assistant to the chairman and the deputy general manager of Xiamen Wofan in October 2010.

Mr. Jiang has spent over 10 years in the media and advertising industry and has extensive experience in managing business operations. Prior to joining our Group, Mr. Jiang was employed by the Shanghai branch of Guangzhou Bates Advertising Company Ltd. (廣州達彼思(達華)廣告有限公司上海分公司) as an assistant director of strategic planning primarily responsible for developing marketing strategies for various car models from July 1999 to August 2003. Mr. Jiang was then employed by New Handsome Joint Advertising Company Ltd. (福建新恒基廣告有限公司) as the director of strategic planning from January 2004 to September 2010.

Save as disclosed above, Mr. Jiang does not currently hold or has not held any directorships in other listed companies in Hong Kong or overseas in the past three years.

Mr. Lin Jiangtang (林江棠), aged 34, is our executive Director and is primarily responsible for supervising legal related matters of our Group. Mr. Lin possesses extensive experience in the legal field and he joined our Group in November 2015.

Prior to joining our Group, Mr. Lin was employed by TDK Xiamen Company Ltd. from March 2006 to May 2008, he was then employed by TPK Touch Solutions (Xiamen) Inc. as a legal officer from June 2008 to June 2015. Mr. Lin graduated with a bachelor degree in law from China University of Mining and Technology in July 2005. Mr. Lin then subsequently passed the National Judiciary examination in February 2009.

Save as disclosed above, Mr. Lin does not currently hold or has not held any directorships in other listed companies in Hong Kong or overseas in the past three years.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent Non-executive Directors

Mr. Huang Xingluan (黃興學), aged 42, was appointed as an independent non-executive Director on 22 June 2017. Mr. Huang is also a member of our audit committee, our remuneration committee and our nomination committee. Mr. Huang graduated from Xiamen University with a Master degree in Management in June 2001 and a doctoral degree in Finance in June 2009. Subsequent to his obtaining of the master degree, Mr. Huang was employed by Xiamen University as an assistant professor of business management in August 2001, where he was later promoted as an associate professor of business management in August 2009. Since March 2013, Mr. Huang has been serving as the associate director of the faculty of financial management at the School of Management of Xiamen University. Mr. Huang is currently an independent non-executive director of Fujian Longma Environmental Sanitation Equipment Co., Ltd (福建龍馬環衛裝備股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: SHA: 603686); China United Travel Co., Ltd (國旅聯合股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: SHA: 600358) and Fujian Green Pine Co., Ltd (福建青松股份有限公司), which is listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: SZSE: 300132). Save as disclosed above, Mr. Huang does not currently hold or has not held any directorships in other listed companies in Hong Kong or overseas in the past three years.

Mr. Liu Dajin (劉大進), aged 51, was appointed as an independent non-executive Director on 22 June 2017. Mr. Liu Dajin is also a member of our audit committee, our remuneration committee and our nomination committee. Mr. Liu Dajin has been a practising member of the Chinese Institute of Certified Public Accountants since November 1996. Mr. Liu Dajin graduated with a bachelor degree in economics (major in accounting) from the Central University of Finance and Economics (中央財經大學) (originally named Central Institute of Finance and Banking (中央財政金融學院)) in June 1989. He then obtained a postgraduate qualification from Xiamen University Postgraduate School in September 1992. Mr. Liu Dajin worked as a teaching assistant at Jimei Finance and Economics School (集美財經學校 (currently known as: Finance & Economics Institute, Jimei University 集美大學財經學院)) from August 1984 to August 1987. Mr. Liu Dajin then served as the deputy director and instructor at the financial management teaching and research centre (財務管理教研室) at Jimei College of Finance (集美財政專科學校 (currently known as: Finance & Economics Institute, Jimei University 集美大學財經學院)) from July 1989 to August 1995. Mr. Liu Dajin worked in various faculties of Jimei University (集美大學) since September 1995 and is currently the director of the faculty of management of the Chengyi University College, Jimei University (集美大學誠毅學院). Mr. Liu Dajin has been an independent non-executive Director of China Packaging Holdings Development Limited, which is listed on the Stock Exchange (stock code: 1439) since December 2013. Save as disclosed above, Mr. Liu Dajin has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Ms. Cheng Shing Yan (鄭承欣), aged 42, was appointed as an independent non-executive Director on 22 June 2017. She is also the chairlady of our audit committee. Ms. Cheng has around 19 years of working experience in auditing and accounting.

She joined the group of Sanroc International Holdings Limited, which is listed on the Stock Exchange (stock code: 1660), as chief financial officer and company secretary in April 2016 and has been an executive director of Sanroc International Holdings Limited since April 2017. Previously, Ms. Cheng worked at Ernst & Young as a senior accountant in January 2004 and was promoted as a manager in October 2005 and worked there until December 2008. Ms. Cheng became a manager at Baker Tilly HK Limited from March 2009 to July 2010. She was an audit manager of SHINEWING (HK) CPA Limited from November 2010 to September 2014 and became a senior audit manager of the same firm from October 2014 to April 2016.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Cheng obtained a master degree in international accounting at the City University of Hong Kong in November 2003. Ms. Cheng was admitted as a member of the Association of Chartered Certified Accountants (ACCA) in and the Hong Kong Institute of Certified Public Accountants (HKICPA) in December 2000 and July 2003 respectively. Ms. Cheng is currently a member of ACCA and HKICPA.

Save as disclosed above, Ms. Cheng does not currently hold or has not held any directorships in other listed companies in Hong Kong or overseas in the past three years.

Save as disclosed above, each of our Directors confirms with respect to him/her that: (i) there is no other information that should be disclosed for him/her pursuant to Rule 13.51(2) of the Listing Rules; and (ii) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

Senior Management

Mr. Liu Zhengping (劉崢平), aged 46, is the chief procurement officer of our Group and is primarily responsible for developing strategic plans and overall management of our Group's procurement. Mr. Liu Zhengping joined our Group as the manager for procurement department in August 2009.

In the earlier period of his career, Mr. Liu Zhengping was employed as the chief sailor in U-Ming Marine Transport (Singapore) Pte Ltd. (裕民航運(新加坡)私人有限公司) from May 2006 to July 2009. Mr. Liu Zhengping completed a 2-year course in ship piloting at the Fujian Huian Sailing School (福建省惠安縣前亭航海職業學校 (currently known as 福建省泉州市泉港前亭航海水產職業學校)) in July 1988 and completed a short course in ship piloting at the Guangzhou Mariner School (廣州海員學校) in July 1994.

Mr. Liu Zhengping does not currently hold or has not held any directorships in other listed companies in Hong Kong or overseas in the past three years.

Ms. Lin Lizhen (林麗珍), aged 35, is the chief sales officer of our Group and is primarily responsible for developing strategic plans and overall management of our Group's sales. Ms. Lin Lizhen joined our Group in April 2012 as the manager for sales department, responsible for sales and marketing function of the Group.

Prior to joining our Group, Ms. Lin Lizhen worked at Xiamen Xuri Fubang Development Company Ltd. (廈門旭日富邦發展有限公司) as business assistant for more than five years (from July 2006 to March 2008, and from October 2008 to March 2012), responsible for sales and marketing of alcoholic products. Ms. Lin Lizhen obtained a professional certificate in web applications design from the Quanzhou Normal University (泉州師範學院) in July 2006.

Ms. Lin Lizhen does not currently hold or has not held any directorships in other listed companies in Hong Kong or overseas in the past three years.

Mr. Zhang Jincong (張錦聰), aged 50, is the chief production officer of our Group and is primarily responsible for developing strategic plans and overall management of our Group's production. Mr. Zhang joined our Group as the manager for production department in January 2009.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Prior to joining our Group, Mr. Zhang worked as a self-employed merchandiser and traded dried food from May 2001 to May 2008.

Mr. Zhang does not currently hold or has not held any directorships in other listed companies in Hong Kong or overseas in the past three years.

Company Secretary

Mr. Wong Wai Lun (黃偉倫), aged 33, joined our Company in March 2016 as the chief financial officer. He has been appointed as the Company Secretary on 11 April 2016. Mr. Wong obtained a bachelor degree of commerce from the University of Queensland in December 2004. He is a member of the Hong Kong Institute of Certified Public Accountants and has over 10 years of experience in the field of accounting and auditing services. Mr. Wong had been the financial controller and company secretary of China Environmental Technology and Bioenergy Holdings Ltd. (formerly known as Merry Garden Holdings Limited), a company listed on the Stock Exchange (stock code: 1237) from January 2014 to October 2015, and the joint company secretary of the same company from October 2015 to January 2016. Prior to this, he worked at KPMG from September 2008 to December 2013 with the last position as a manager. He also worked at Poon & Co. Certified Public Accountants from February 2005 to March 2007 and from May 2007 to June 2008 with the last position as a senior auditor.

BOARD COMMITTEES

Audit Committee

We have established an audit committee pursuant to a Board resolution passed on 22 June 2017 in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary function of the audit committee includes, among other things, review and supervise our financial reporting process as well as internal control system and perform other duties and responsibilities as assigned by the Board.

The audit committee currently comprises Cheng Shing Yan, Huang Xingluan and Liu Dajin and is chaired by Cheng Shing Yan.

Remuneration Committee

We have established a remuneration committee pursuant to a Board resolution passed on 22 June 2017 in compliance with the Corporate Governance Code and Corporate Governance Report as set out space in Appendix 14 to the Listing Rules. The primary function of the remuneration committee includes, among other things, making recommendations to the Board on our Company's policy for human resource management as well as establishing and reviewing policies and structure in relation to remuneration for our directors and senior management.

The remuneration committee currently comprises Liu Dajin, Huang Xingluan and Mr. Liu and is chaired by Liu Dajin.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Nomination Committee

We have established a nomination committee pursuant to a Board resolution passed on 22 June 2017 in compliance with the Code on Corporate Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary function of the nomination committee includes, among other things, advising the Board on the appointment, removal or re-appointment of Directors.

The nomination committee currently comprises of Mr. Liu, Huang Xingluan and Liu Dajin and is chaired by Mr. Liu.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information — 8. Share Option Scheme” in Appendix IV to this prospectus. The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broad basis of participation, will enable us to reward our employees, our Directors and other selected participants to recognise and incentivise their contributions to us.

COMPLIANCE ADVISER

We have appointed Dongxing Securities as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser is engaged to provide advice to us under the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) if a transaction which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated, including share issues and share repurchases;
- (c) if we propose to use the net proceeds of the Global Offering in a manner different from that provided in this prospectus or when our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) if the Stock Exchange makes an inquiry of us regarding any unusual events such as unusual movements in the price or trading volume of our Shares.

The term of appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including our Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonuses, equity-settled share option expenses and pension scheme contributions) paid to our Directors for the years ended 31 December 2014, 2015 and 2016 were approximately RMB286,000, RMB329,000 and RMB568,000, respectively.

The aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonuses, equity-settled share option expenses and pension scheme contributions) paid to our Group's five highest paid individuals for the years ended 31 December 2014, 2015 and 2016 were approximately RMB603,000, RMB750,000 and RMB1,390,000, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining our Group. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended 31 December 2014, 2015 and 2016 by any member of our Group to any of our Directors. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2017 to be approximately RMB798,000.

For additional information on Directors' remunerations during the Track Record Period as well as information on the highest paid individuals, please refer to note 13 in the Accountants' Report as set out in Appendix I to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately after the completion of the Global Offering and Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity/ Nature of Interest	Number of Shares Held	Percentage of Shareholding
Precisely Unique (Note 1)	Beneficial interest	525,000,000	52.5
Mr. Liu (Note 1)	Corporate interest	525,000,000	52.5
Jiranek Investments (Note 2)	Beneficial interest	75,000,000	7.5
Mr. Sun (Note 2)	Corporate interest	75,000,000	7.5
Rising Case (Note 3)	Beneficial interest	75,000,000	7.5
Liu Tianping (Note 3)	Corporate interest	75,000,000	7.5

Notes:

- (1) Precisely Unique is wholly owned by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in the Shares held by Precisely Unique.
- (2) Jiranek Investments is wholly owned by Mr. Sun. Accordingly, Mr. Sun is deemed to be interested in the Shares held by Jiranek Investments.
- (3) Rising Case is wholly owned by Liu Tianping. Accordingly, Liu Tianping is deemed to be interested in the Shares held by Rising Case.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Scheme), have an interest or a short position in any Shares which would require to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may result in a change of control of our Company at a subsequent date.

SHARE CAPITAL

The following table is prepared on the basis that the Capitalisation Issue and the Global Offering have become unconditional. This table, however, takes no account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme and of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below.

		HK\$
<i>Authorised:</i>		
<u>10,000,000,000</u>	Shares of HK\$0.01 each	<u>100,000,000</u>
<i>Issued or to be issued, fully paid or credited as fully paid:</i>		
201,000	Shares in issue as at the Latest Practicable Date	2,010
749,799,000	Shares to be issued pursuant to the Capitalisation Issue	7,497,990
<u>250,000,000</u>	Shares to be issued pursuant to the Global Offering	<u>2,500,000</u>
<u>1,000,000,000</u>	Shares	<u>10,000,000</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Capitalisation Issue and the Global Offering will be as follows:

		HK\$
<i>Authorised:</i>		
<u>10,000,000,000</u>	Shares of HK\$0.01 each	<u>100,000,000</u>
<i>Issued or to be issued, fully paid or credited as fully paid:</i>		
201,000	Shares in issue as at the Latest Practicable Date	2,010
749,799,000	Shares to be issued pursuant to the Capitalisation Issue	7,497,990
250,000,000	Shares to be issued pursuant to the Global Offering	2,500,000
<u>37,500,000</u>	Shares to be issued upon exercise of the Over-allotment Option	<u>375,000</u>
<u>1,037,500,000</u>	Shares	<u>10,375,000</u>

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the Listing Rules is 25% of its share capital in issue from time to time.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 22 June 2017, conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by our Company under the Global Offering, our Directors were authorised to allot and issue a total of 749,799,000 Shares credited as fully paid at par by way of capitalisation of the sum of HK\$7,497,990 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme and the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information — 8. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure and Conditions of the Global Offering — Conditions of the Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by our Directors other than pursuant to:

- (a) a rights issue;
- (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles; or

SHARE CAPITAL

- (c) the Global Offering, shall not exceed:
- (i) 20% of the aggregate number of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options that have been or may be granted under the Share Option Scheme); and
 - (ii) the aggregate number of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the paragraph headed “— General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire:

- (1) at the conclusion of our next annual general meeting; or
- (2) at the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the section headed “Statutory and General Information — 1. Further Information about our Company — (iv) Written Resolutions of our Shareholders passed on 22 June 2017” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure and Conditions of the Global Offering — Conditions of the Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the aggregate number of our share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options that have been or may be granted under the Share Option Scheme).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — 5. Share Repurchase Mandate” in Appendix IV to this prospectus.

SHARE CAPITAL

This general mandate to repurchase Shares will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) at the end of the period within which we are required by any applicable laws or our Articles to hold our next annual general meeting; or
- (iii) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such mandate given to our Directors,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information — 1. Further Information about our Company — (iv) Written Resolutions of our Shareholders passed on 22 June 2017” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the paragraph headed “Summary of the Constitution of our Company and Cayman Companies Law” in Appendix III to this prospectus.

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You should read the following discussion and analysis in conjunction with our consolidated financial information, including the notes thereto, set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

This discussion contains forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.

OVERVIEW

We sell dried seafood, seafood snacks and frozen seafood in the PRC. We also sell algae and fungi in the PRC. We (i) source high quality raw and processed raw materials, (ii) sub-contract processing of the unprocessed raw materials to third parties, (iii) package products at our own packaging facilities or through our sub-contractors, and (iv) sell packaged products under our own brand “Wofan” (沃豐). We also sell dried seafood, algae and fungi without packaging, and sell frozen seafood at a seafood wholesale market.

We primarily sell our products to supermarkets, trading companies and convenience stores, as well as other sales channels such as food companies, gift stores and e-commerce retailers. We also sell our frozen seafood products through a seafood wholesale market. We have a long sales track record with many of our customers. Almost all of our top ten customers for the years ended 31 December 2014, 2015 and 2016 were acquired prior to the Track Record Period. The growth in our revenue during the Track Record Period was primarily due to an increase in sales to our existing customers and the acquisition of new customers. We believe our customers choose our products mainly based on (i) the Strong Historical Sales Record of our products, supported by effective sales and promotion strategies; (ii) our stable product supply; and (iii) our large and evolving range of diverse product offering. Specifically we have demonstrated our ability to (i) implement effective sales and promotion efforts on our products, including the sales and promotion teams stationed in our customers’ stores to boost sales; and (ii) utilise favourable market intelligence and research analysis conducted or arranged by our customers on our products.

We recorded significant growth during the Track Record Period. Our revenue grew at a CAGR of approximately 51.2% from the year ended 31 December 2014 to the year ended 31 December 2016. Our revenue grew 128.5% from RMB204.8 million for the year ended 31 December 2014 to approximately RMB468.0 million for the year ended 31 December 2016. Our gross profit for the years ended 31 December 2014, 2015 and 2016 were approximately RMB47.9 million, RMB94.1 million and RMB118.4 million, respectively.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

During the Track Record Period, Xiamen Wofan and its subsidiary, Fujian Wofan were the main operating subsidiaries carrying out the business of our Group. Xiamen Wofan was controlled by Mr. Liu. Our Group, pursuant to the Reorganisation, rationalised our corporate structure in connection with the Listing.

Our Company was incorporated in the Cayman Islands on 8 January 2016 as an exempted company with limited liability under the Cayman Companies Law. Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group on 27 April 2016. Our Company, Billion Bond and New Lead are newly incorporated companies as part of the Reorganisation and none of these new holding companies carried out any business since their incorporation.

The Reorganisation mainly involved setting up our Company, Billion Bond and New Lead to hold Xiamen Wofan and such steps did not result in any change of economic substance in the ownership and business of our Group. Accordingly, the financial information represents a continuation of our existing Group.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group, as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of acquisition or incorporation/establishment, where there is a shorter period. Our consolidated statements of financial position as at 31 December 2014, 2015 and 2016 have been prepared to present the state of affairs of our Group as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the most significant factors affecting our results of operations are as follows:

Demand for dried seafood and algae in the PRC

We derive a substantial portion of our revenues from sales of dried seafood and algae. We generated 54.7% and 36.5% of our revenue from our dried seafood and algae and fungi segments for the year ended 31 December 2016, respectively. In recent years, China's seafood and algae industries have developed rapidly. The growth of the seafood and algae industries are driven by increases in consumer purchasing power, consumers' health consciousness, the perceived nutritional value of seafood and algae, as well as the expansion of the products to new geographical areas led by the rise of e-commerce.

According to the ASKCI Report, the retail sales value of China's seafood and algae grew at a CAGR of 8.2% from 2011 to 2016, reaching approximately RMB325.8 billion in 2016, of which (i) approximately 52.0% were attributable to frozen seafood; (ii) approximately 12.7% attributable to dried seafood; (iii) approximately 10.7% attributable to algae; (iv) approximately 4.9% attributable to seafood snacks; and (v) the remaining approximate 19.7% attributable to other products. The retail sales value of China's seafood and algae is expected to grow at a CAGR of 7.0% until 2021. We expect our revenue and profitability to continue to grow driven by the overall growth in the seafood and algae industries.

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In addition, there may be changes in the consumption or gifting of seafood and algae in response to media reports, marketing campaigns, government policies or other circumstances. In addition, demand for our products is subject to seasonality, with higher sales prior to traditional Chinese holidays such as the Chinese New Year. As such, our revenue in the first quarter is generally relatively higher than those in other quarters.

Purchases of our products by our existing customers

The growth in our revenue during the Track Record Period was primarily due to an increase in sales to our existing customers. Almost all of our top ten customers for the years ended 31 December 2014, 2015 and 2016 were acquired prior to the Track Record Period and sales to these customers grew at a CAGR of 41.5% from the year ended 31 December 2014 to the year ended 31 December 2016. We believe customers choose our products mainly based on (i) the Strong Historical Sales Record of our products, supported by effective sales and promotion strategies, (ii) our stable product supply, and (iii) our large and evolving range of diverse product offering. Our ability to increase purchases from our existing customers also depends on the attractiveness of competing products and we must continue to improve our product offerings in order to maintain or increase our market share.

We believe our customers purchase our products in large part due to (i) strong and long track record of consistent sales performance of our products; (ii) our ability to implement effective sales and promotion efforts on our products, including the sales and promotion teams stationed in our customers' stores to boost sales; and (iii) favourable market intelligence and research analysis conducted or arranged by our customers on our products. We believe that forecasts of our products' sales performance largely reflect our products' historical sales performance and our sales and promotion efforts. We believe that the high quality of our products and their attractive packaging and design increased end consumer acceptance of our products during the Track Record Period. We take advantage of feedback from our sales and promotion team to improve the appeal of our products to end consumers. For example, during the Track Record Period, we introduced neater packaging and appearance for our products and refreshed our packaging designs. We also obtained an ISO 22000:2005 certificate (food safety management system) by the Chinese Quality Certification Centre (中國質量認證中心) in respect of the packaging of our dried seafood, which helped assure our customers of our product quality. In addition, we station promoters in the stores of our supermarket customers to sell our products. Since stationing promoters at a supermarket represents an expense to us, our ability to cost-efficiently utilise promoters to sell our products are largely dependent on the amount of shelf space allocated to us by those consumers. In addition, a number of our promoters are trained specifically by a supermarket to sell products in line with that supermarket's policies. We also promoted our brand in supermarkets by putting up prominent sign boards and escalator posters as well as setting up designated sales counters.

We were also able to grow our revenue during the Track Record Period due to our stable supplies. Our primary raw materials are natural ingredients, which are subject to changes in the environment. To the extent that our competitors face supply shortages, we can immediately capture market share from those competitors. Furthermore, in the long run, customers are less likely to place orders with competitors with unreliable inventories. In 2013, a super-typhoon tremendously reduced the supply of algae in the market, which increased the costs and decreased the supply of algae raw materials for a period of two years. However, due to our stable relationships with algae farmers, we were relatively protected from these fluctuations and could readily capture market share from other competitors. Please refer to the section headed "Business — Suppliers and Raw Materials — Algae Farmers Suppliers" in this prospectus for further details on our relationships with our algae farmer suppliers. As a result, our

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revenue from our algae and fungi grew at a CAGR of 83.4% from the year ended 31 December 2014 to the year ended 31 December 2016, reaching RMB170.8 million in 2016. To the extent that our supplies remain stable and secure when those of our competitors do not, we will be able to further increase our revenue and market share.

As we increase our product offering variety, we will be in the position to increase our sales to existing customers. Our customers may find New Product Types and Enhanced Products that we introduce to be more attractive than competing products, or may purchase additional products from us simply for the convenience of sourcing from a limited number of ongoing suppliers. During the Track Record Period, our sales and promotion team provided us with key market insights and customers feedback, which facilitated the launch of New Product Types and Enhanced Products. We grew our product portfolio from 59 products sold during the year ended 31 December 2014 to 203 products sold during the year ended 31 December 2016. Primarily as a result of the introduction of New Product Types and Enhanced Products, our revenue from dried seafood grew by 66.9% from the year ended 31 December 2014 to the year ended 31 December 2015, reaching RMB212.2 million in 2015. We anticipate that we will continue to introduce New Product Types and Enhanced Products, which will further strengthen our customer relationships and increase our revenue per customer.

The growth of our customer base

The acquisition of new customers is primarily driven by our sales representatives. As at the Latest Practicable Date, we had 102 customers, mainly covering major cities in eastern and southern parts of China. We plan to continue to expand our sales and promotion team and establish an e-commerce channel to support the growth of our business.

We believe that our new customers assess our performance primarily based on (i) the Strong Historical Sales Record of our products, supported by effective sales and promotion strategies, (ii) our stable product supply, and (iii) our large and evolving range of diverse product offering.

Prior to 2013, in light of our limited track record at that time, we relied on our sales and promotion efforts with end consumers to demonstrate our commitment to driving sales, as a result of which we incurred significant sales and promotion expenses. From 2010 to 2012, we increased our sales and promotion efforts through television advertisements, exhibitions and general brand awareness advertisements for our seafood and recruited 48 new customers in 2011 and 2012, including five of our top ten customers for the year ended 31 December 2016. A majority of these 48 new customers continued to be our customers for the year ended 31 December 2016. These advertisements also contributed to convincing our existing customers from 2010 to increase their purchase of our products with four of these customers continued to be our top ten customers for the year ended 31 December 2016.

After establishing a strong customer base, we began to acquire additional customers through more cost-effective means. During the Track Record Period, we acquired customers utilising strong references from our existing customers. During the Track Record Period, we acquired 50 new customers and had a total of 99 customers as at 31 December 2016. We have selectively secured new customers in certain geographical areas to enhance our geographical coverage. We believe that we will continue to improve our customer acquisition capabilities as we establish an even stronger track record and strengthen our sales and promotion team.

FINANCIAL INFORMATION

Availability and costs of our raw materials

The key raw materials required for our seafood and algae mainly consist of raw and processed seafood and algae and packaging materials. For each of the years ended 31 December 2014, 2015 and 2016, the cost of raw materials represented approximately 92.1%, 91.3% and 93.1% of our cost of sales, respectively.

For the purchase of raw seafood and raw and processed algae, we generally enter into long term supply framework agreements with our fishermen and algae farmers and the price is determined at the time of each order. For the purchase of processed seafood and packaging materials, we enter into supply agreements with our suppliers which are renewed regularly and the price is determined at the time of each order.

Reduction in the availability of our raw materials and increases in the costs of our raw materials would adversely affect our ability to produce or pack our products. However, such fluctuations would also adversely affect our competitors and we may be able to capture additional market share from them. For example, our supplies remained relatively stable during the super-typhoon in 2013 and we increased our revenue and captured market share from our competitors.

Our packaging capabilities

We generally sell our packaged products either in packs or in gift boxes with our brand “Wofan” (沃豐). We also sell our frozen seafood and unpackaged products without our brand. Our packaging staff carry out packaging processes at our packaging facility in Xiamen, Fujian Province. Major steps of packaging generally include sorting products, placing products in bags or in boxes, weighing, vacuuming, sealing the packaged products and packing the packaged products in boxes.

Our packaging facility in Xiamen, Fujian Province had utilisation rates of 52.6%, 97.9% and 106.3% for the years ended 31 December 2014, 2015 and 2016, respectively. We believe that expanding our own packaging capabilities will allow us to meet our growing customer demand, while maintaining strict control of our quality standards and growing our profit margin.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, judgments and estimates that are important for you to understand our financial condition and results of operations, are set forth in detail in Notes 3 and 5 to Accountants’ Report set out in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments based on our management’s best knowledge and judgement of current events and actions relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. We had not experienced any material deviation between our management’s estimate and actual results and had not changed these estimates during the Track Record Period. Our management does not expect any material change in these estimates in the foreseeable future.

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When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in preparing our financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Rebates and discounts granted to customers are accounted for as a reduction of revenue. Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of our Group's activities as described below:

(a) Sales of goods

Sales of goods are recognised when the transfer of risks and rewards of ownership of the goods, which generally considers with the time when the goods are delivered to customers and titles have passed.

(b) Interest income

Interest income is recognised as it accrues using the applicable interest rate.

(c) Rental income

Rental income is accrued on a time proportion basis over the lease term.

Plant and equipment

Our plant and equipment primarily consist of electric equipment, plant and machinery, motor vehicles and furniture and equipment which are used for the packaging and delivery of our products, or for administrative purpose. Our plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of our plant and equipment includes expenditure that is directly attributable to the acquisition of such items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the profit or loss during the financial year in which they are incurred.

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We calculate depreciation on the straight-line basis to write off the cost of plant and equipment over net of expected residual value of their estimated useful lives. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each financial year. The useful lives are as follows:

Electric equipment	3 years
Plant and machinery	10 years
Motor vehicles	4 years
Furniture and equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Inventories

Inventories are initially recognised at cost and subsequently at the lower of cost and net realisable value. We determine cost on a weighted average basis. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of other assets

At the end of each financial year, we review the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- plant and equipment; and
- prepaid lease payments

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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Research expenditure

Expenditure on research activities is recognised as an expense in the financial year in which it is incurred.

RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the years indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Revenue	204,847	366,968	468,039
Cost of sales	(156,944)	(272,862)	(349,642)
Gross profit	47,903	94,106	118,397
Other income and other gains/(losses), net	(157)	411	435
Selling and distribution expenses	(8,536)	(14,547)	(17,838)
Administrative expenses	(1,851)	(2,707)	(14,039)
Other expenses	(274)	(1,012)	(1,320)
Finance costs	(1,313)	(1,028)	(219)
Profit before income tax	35,772	75,223	85,416
Income tax expense	(9,301)	(19,379)	(24,264)
Profit for the years attributable to owners of the Company	26,471	55,844	61,152
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange difference arising from translation of foreign operations	–	–	(804)
Other comprehensive income for the years	–	–	(804)
Profit and total comprehensive income for the years attributable to owners of the Company	26,471	55,844	60,348

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DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

The following discussion summarises components of selected income statement items appearing in the Accountants' Report set out in Appendix I to this prospectus that we believe may be helpful in understanding the year-to-year discussions that follow.

Revenue

We generated revenue principally from the sales of our dried seafood, algae and fungi during the Track Record Period. For the years ended 31 December 2014, 2015 and 2016, our revenue amounted to approximately RMB204.8 million, RMB367.0 million and RMB468.0 million, respectively. The CAGR from the year ended 31 December 2014 to the year ended 31 December 2016 was approximately 51.2%, whereas the year-to-year increase was 27.5% for the year ended 31 December 2016.

The following table sets forth our revenue by product category for the years indicated:

	For the year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Dried seafood	127,143	212,217	255,817
Algae and fungi ⁽¹⁾	50,797	113,643	170,831
Seafood snacks	1,607	24,075	33,975
Frozen seafood	25,300	17,033	7,416
	<u>204,847</u>	<u>366,968</u>	<u>468,039</u>

Note:

1. We began to sell fungi (including dried mushroom and other types of mushroom) during the year ended 31 December 2015 and generated revenue of approximately RMB4.5 million for the year ended 31 December 2015 and RMB8.0 million for the year ended 31 December 2016.

Our revenue was driven by certain revenue drivers during the Track Record Period, including (a) the increase in sales volume and the increase in average selling prices, (b) the increasing sales penetration of our products with existing customers and sales to new customers, (c) the introduction of New Product Types and Enhanced Products (except for 2014 when we introduced only one Enhanced Product), and (d) our implementation of direct-contact promotion strategy and the increase in the number of promoters, the details of which are set out below:

- (i) increasing the use of promoters to boost the sales performance of our products;
- (ii) leasing of tidal flats which we subsequently subleased to algae farmers to improve our supply stability; and
- (iii) introduction of new types of dried seafood to increase and diversify our product offerings and to match changing consumers trends.

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(a) Sales volume and average selling price

During the Track Record Period, the growth of our revenue was primarily attributable to a sustained and growing increase in sales volume of our food products, and to a lesser extent, the increase in average selling prices of certain products.

The following table sets forth our sales volume and average selling price by product category for the years indicated:

	For the year ended 31 December											
	2014				2015				2016			
	Average selling price (RMB per kg)				Average selling price (RMB per kg)				Average selling price (RMB per kg)			
	Sales volume (kg in '000)	New Product Types and Enhanced Products			Sales volume (kg in '000)	New Product Types and Enhanced Products			Sales volume (kg in '000)	New Product Types and Enhanced Products		
Overall		Existing products	Enhanced Products	Overall		Existing products	Enhanced Products	Overall		Existing products	Enhanced Products	
Dried seafood . . .	2,059	61.7	61.7	–	3,254	65.2	62.1	70.0	2,963	86.4	84.5	120.2
Algae and fungi . . .	613	82.9	82.9	70.0	1,396	81.4	87.1	75.7	1,773	96.4	97.0	60.3
– Algae	613	82.9	82.9	70.0	1,365	80.0	87.1	72.4	1,707	95.4	96.0	52.7
– Fungi	–	–	–	–	31	145.8	–	145.8	66	121.0	122.9	97.2
Seafood snacks . . .	18	89.3	89.3	–	337	71.4	74.2	69.3	501	67.8	67.9	67.2
Frozen seafood . . .	672	37.6	37.6	–	440	38.7	38.7	–	228	32.5	32.5	–
Total	<u>3,362</u>	60.9 ⁽¹⁾	70.0 ⁽¹⁾	<u>5,427</u>	64.9 ⁽¹⁾	71.8 ⁽¹⁾	<u>5,465</u>	85.1 ⁽¹⁾	97.5 ⁽¹⁾			

(1) Overall average selling price

The overall sales volume of our products increased by approximately 61.4% for the year ended 31 December 2015 compared to the year ended 31 December 2014 and by approximately 0.7% for the year ended 31 December 2016 compared to the year ended 31 December 2015. The increase in sales volume during the year ended 31 December 2015 was primarily due to (i) the expansion of our sales and promotion team; (ii) launch of New Product Types and Enhanced Products; and (iii) increase in the number of our new customers.

The average selling prices represent the volume-weighted average of prices of our products we sold to our customers. We price our various products based on a combination of factors, including demand for and supply of our products, anticipated market trends, costs of raw materials, overheads, product categories, retail prices of our competitors' products, spending patterns of target consumers, historical sales data and expected profit margins. We review and adjust our product prices periodically based on these factors and other general market conditions.

The average selling price per kg of dried seafood for the years ended 31 December 2014, 2015 and 2016 were approximately RMB61.7, RMB65.2 and RMB86.4, respectively.

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The increase in average selling price of dried seafood for the year ended 31 December 2016 as compared to 2015 was mainly due to (a) improvement in our product mix, as we sold New Product Types and Enhanced Products such as local dried squids introduced in 2015 and dried oysters and a new flavour of dried peeled prawns in 2016 with generally higher prices; and (b) the higher overall selling price of our dried seafood, as we improved our pricing ability in the market after having established a stronger market position in 2016 through (i) the increase in sales volume of our dried seafood from 2014 to 2015; (ii) the increasing sales penetration of our products with existing customers and acquisition of new customers; (iii) the introduction of New Product Types and Enhanced Products (except for 2014 when we introduced only one Enhanced Product); and (iv) our implementation of direct-contact promotion strategy. Despite the higher overall selling price of our dried seafood products in general, we believe that our customers continue to choose our dried seafood mainly due to (a) the Strong Historical Sales Record of our products, supported by effective sales and promotion strategies; (b) our stable product supply; and (c) our large and evolving range of diverse product offering.

The average selling price per kg of algae and fungi for the years ended 31 December 2014, 2015 and 2016 were approximately RMB82.9, RMB81.4 and RMB96.4, respectively.

The increase in existing products' average selling price of algae and fungi for the year ended 31 December 2015 as compared to 2014 was mainly due to increase in sales of our existing seaweed products which had higher average selling prices than other existing products. The increase in New Product Types' and Enhanced Products' average selling price of algae and fungi for the year ended 31 December 2015 as compared to 2014 was mainly due to the introduction of a variety of new seaweed and fungi products which had higher average selling prices than the Enhanced Product introduced in 2014. The increase in overall and existing products' average selling price of algae and fungi for the year ended 31 December 2016 as compared to 2015 was mainly due to the higher overall selling price of our algae and fungi, as we improved our pricing ability in the market after having established a stronger market position in 2016 through (i) the increase in sales volume of our algae and fungi from 2014 to 2015; (ii) the increasing sales penetration of our products with existing customers and acquisition of new customers; (iii) the introduction of New Product Types and Enhanced Products (except for 2014 when we introduced only one Enhanced Product); and (iv) our implementation of direct-contact promotion strategy. The decrease in New Product Types' and Enhanced Products' average selling price of algae and fungi for the year ended 31 December 2016 as compared to 2015 was mainly due to the introduction of certain Enhanced Products (namely, certain sea tangle products in loose packaging) which contained raw materials with lower costs and generally had lower selling prices. Despite the higher overall selling price of our algae and fungi products in general, we believe that our customers continue to choose our algae and fungi mainly due to (a) the Strong Historical Sales Record of our products, supported by effective sales and promotion strategies; (b) our stable product supply; and (c) our large and evolving range of diverse product offering.

The average selling price per kg of seafood snacks for the years ended 31 December 2014, 2015 and 2016 were approximately RMB89.3, RMB71.4 and RMB67.8, respectively.

The decrease in overall average selling price for the year ended 31 December 2015 as compared to 2014 was mainly due to (i) the decrease in existing products' average selling prices which was mainly due to the increase in sales of those seafood snack with lower selling prices because of stronger customers' demand for such products in 2015 and (ii) the introduction of certain New Product Types and Enhanced Products in 2015 with lower average selling prices than the existing products mainly due to such New

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Product Types and Enhanced Products having different production techniques or ingredients which were of lower prices. The decrease in overall and New Product Types' and Enhanced Products' average selling price of seafood snacks for the year ended 31 December 2016 as compared to 2015 was mainly due to our efforts to fine tune our products' position in the market. The decrease in existing products' average selling prices for the year ended 31 December 2016 as compared to 2015 was mainly due to the increase in sales of those seafood snack with lower selling prices because of stronger customers' demand for such lower priced products in 2016.

The average selling price per kg of frozen seafood for the years ended 31 December 2014, 2015 and 2016 were approximately RMB37.6, RMB38.7 and RMB32.5, respectively. The fluctuations during the years ended 31 December 2014, 2015 and 2016 were mainly affected by the overall market demand for our frozen seafood.

(b) Existing and new customers

The growth of our revenue during the Track Record Period was primarily due to an increase in product sales to existing customers and sales to new customers. These increases were attributable to our strategic initiatives.

We believe that our customers choose our products mainly based on (i) the Strong Historical Sales Record of our products, supported by effective sales and promotion strategies; (ii) our stable product supply; and (iii) large and evolving range of diverse product offering. Our growth was mainly attributable to (i) an expanding demand due to an increasing number of retail stores or larger sales network operated by certain existing customers beyond their initial markets; (ii) a broad product offering by us which catered to the tastes and preferences of a wide spectrum of customers; (iii) our promotion and marketing strategy which contributed to stronger sales performance and introduced new offering to end consumers; (iv) the trend of end consumers becoming increasingly health conscious with the choice of their snacks and (v) consistency of sales of our products in our customers' stores.

(c) New Product Types and Enhanced Products

Introduction of New Product Types and Enhanced Products to create a large and evolving range of diverse product portfolio also contributed to our revenue growth. During the Track Record Period, we launched 157 New Product Types and Enhanced Products to better meet end customers' demands. We grew our product portfolio from 59 products sold during the year ended 31 December 2014 to 203 products sold during the year ended 31 December 2016. We have been developing New Product Types and Enhanced Products successfully to cater to the changing consumer preferences. For the years ended 31 December 2014, 2015 and 2016, nil, 51 and 4 New Product Types were introduced and contributed approximately nil, RMB35.7 million and RMB5.6 million to our revenue, respectively and 1, 73 and 28 Enhanced Products were introduced and contributed approximately RMB70,000, RMB118.9 million and RMB19.3 million to our revenue, respectively.

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(d) Implementation of direct-contact promotion strategy

Prior to the Track Record Period, we used a media penetration strategy focusing on our brand building efforts, while since 2013, we have implemented direct-contact promotion strategy which result in greater growth of our revenue. Our strong sales and promotion team consisting of 264 members has successfully developed an expanding network of large-scale loyal customers. Our total sales to our five largest customers in 2016 increased by approximately RMB29.7 million, or 23.1%, from the year ended 31 December 2015 to the year ended 31 December 2016 when the number of promoters allocated to these customers decreased from 100 as at 31 December 2015 to 88 as at 31 December 2016. Our total sales to our five largest customers in 2015 increased by approximately RMB50.9 million, or 65.4%, from the year ended 31 December 2014 to the year ended 31 December 2015 when the number of promoters allocated to these customers increased from 70 as at 31 December 2014 to 100 as at 31 December 2015. As such, we believe there is a good correlation between the increase in the number of promoters and the increase in our sales during the Track Record Period, subject to reaching a saturation point where further addition of promoters may not lead to further increase in our sales.

Revenue by sales channel

The table below sets forth our revenue by sales channel for the years indicated:

	For the year ended 31 December					
	2014		2015		2016	
	RMB ('000)	% to total revenue	RMB ('000)	% to total revenue	RMB ('000)	% to total revenue
Supermarkets	102,470	50.0	168,813	46.0	241,738	51.6
Trading companies	30,808	15.0	85,153	23.2	100,106	21.4
Convenience stores	10,362	5.1	18,265	5.0	21,479	4.6
Wholesale market						
for seafood ⁽¹⁾	25,300	12.4	17,033	4.6	7,416	1.6
Other sales channels	35,907	17.5	77,704	21.2	97,300	20.8
<i>Food companies</i>	9,922	4.8	30,552	8.4	49,029	10.5
<i>Gift stores</i>	10,374	5.1	16,278	4.4	21,674	4.6
<i>E-commerce retailers</i> . .	6,830	3.3	18,069	4.9	20,822	4.4
<i>Others</i>	8,781	4.3	12,805	3.5	5,775	1.3
Total	<u>204,847</u>		<u>366,968</u>		<u>468,039</u>	

Notes:

1. During the Track Record Period, we sold all our frozen seafood at a seafood wholesale market in Xiamen, the PRC.

For the years ended 31 December 2014, 2015 and 2016, our revenue generated from the sales to supermarkets constituted the largest percentage of our revenue, accounted for approximately 50.0%, 46.0% and 51.6% of our total revenue, respectively.

During the Track Record Period, our revenue growth was primarily due to the record of higher revenue from sales to supermarkets, trading companies and other sales channels, and to a lesser extent, the growth of our revenue from sales to convenience stores, which was increasing from a low base.

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Our revenue from sales to supermarkets increased by 64.7% for the year ended 31 December 2015 compared to the year ended 31 December 2014, and by 43.2% for the year ended 31 December 2016 compared to the year ended 31 December 2015, primarily due to (a) the increase in sales volume and to a lesser extent, the increase in average selling prices for the year ended 31 December 2015 compared to the year ended 31 December 2014 and for the year ended 31 December 2016 compared to the year ended 31 December 2015, (b) the increasing sales penetration of our products with existing customers and sales to new customers, (c) introduction of New Product Types and Enhanced Products (except for 2014 when we introduced only one Enhanced Product) and (d) our implementation of direct-contact promotion strategy and increase in the number of promoters.

Our revenue from sales to trading companies increased by 176.4% for the year ended 31 December 2015 compared to the year ended 31 December 2014, and by 17.6% for the year ended 31 December 2016 compared to the year ended 31 December 2015, and our revenue from sales to other sales channels increased by 116.4% for the year ended 31 December 2015 compared to the year ended 31 December 2014, by 25.2% for the year ended 31 December 2016 compared to the year ended 31 December 2015, primarily due to (a) the increase in sales volume and to a lesser extent, the increase in average selling prices for the year ended 31 December 2015 compared to the year ended 31 December 2014 and for the year ended 31 December 2016 compared to the year ended 31 December 2015, (b) the increasing sales penetration of our products with existing customers and to a lesser extent, sales to new customers and (c) introduction of New Product Types and Enhanced Products (except for 2014 when we introduced only one Enhanced Product).

Other sales channels include food companies, gift stores, e-commerce retailers and others. Our revenue from sales from food companies increased by 207.9% for the year ended 31 December 2015 compared to the year ended 31 December 2014, primarily due to the acquisition of new customers, and increased by 60.5% for the year ended 31 December 2016 compared to the year ended 31 December 2015, primarily due to the increasing demand of our products from existing customers. Our revenue from sales from gift stores increased by 56.9% for the year ended 31 December 2015 compared to the year ended 31 December 2014, and increased by 33.1% for the year ended 31 December 2016 compared to the year ended 31 December 2015, primarily due to the increasing demand of our products from existing customers. Our revenue from sales from e-commerce retailers increased by 164.6% for the year ended 31 December 2015 compared to the year ended 31 December 2014, and increased by 15.2% for the year ended 31 December 2016 compared to the year ended 31 December 2015, primarily due to the increasing demand of our products from existing customers.

Please refer to the section headed “Financial Information — Review of Historical Results of Operations” in this prospectus for further details of our revenue growth attributable to the aforesaid revenue drivers.

According to a report by a reputable independent advisory firm (the “**Advisory Report**”), which we engaged to perform certain analytical procedures on our revenue growth, we increased sales to top supermarkets and convenience store customers during the Track Record Period. These increased sales were represented by: (i) continually enhanced product variety from 59 products in the year ended 31 December 2014 to 203 products for the year ended 31 December 2016; (ii) neater packaging, appearance and continually refreshed packaging designs of our products; (iii) quality of products; (iv) engagement of direct impact marketing; and (v) stable and strong supply chain.

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According to the Advisory Report, we increased sales to trading companies during the Track Record Period as a result of (i) continually enhancing our product variety from 59 products in the year ended 31 December 2014 to 203 products for the year ended 31 December 2016; (ii) neater packaging, appearance and continually refreshed packaging designs of our products; (iii) benefits from the change in remuneration pattern for welfare benefits to employees of state-owned enterprises (“SOE”) in the PRC, which has reduced or substituted benefits in cash with benefits in kind such as snacks due to changes in corporate culture; (iv) changes in corporate culture which generally increased the prevalence of rewarding employees as a token of appreciation with domestic consumables in the PRC such as snacks; (v) quality of products; and (vi) strong references from the continual sales and presence of products in prominent supermarket chains and the continual purchases from SOEs that contributed to broader brand awareness and customer confidence.

The aforesaid independent advisory firm has not performed any audit or validation of information contained in the Advisory Report, which is non-assurance in nature.

Cost of sales

Our cost of sales primarily comprises costs of raw materials, sub-contracting fees, salaries and overheads. Cost of raw materials are our main cost of sales, accounted for approximately 92.1%, 91.3% and 93.1% of our total cost of sales for the years ended 31 December 2014, 2015 and 2016, respectively, which mainly include expenditures relating to our purchase of raw materials for the production of our products.

The following table sets forth our cost of sales by category for the years indicated:

	For the year ended 31 December					
	2014		2015		2016	
	RMB ('000)	% of total cost of sales (%)	RMB ('000)	% of total cost of sales (%)	RMB ('000)	% of total cost of sales (%)
Raw materials	144,590	92.13	249,123	91.30	325,551	93.11
Sub-contracting fees	10,435	6.65	20,259	7.42	19,959	5.71
Salaries	1,415	0.90	2,154	0.79	2,620	0.75
Rental expenses	72	0.05	72	0.03	127	0.04
Overheads ⁽¹⁾	432	0.27	1,254	0.46	1,385	0.39
Total	156,944	100.00	272,862	100.00	349,642	100.00

Note:

1. Overheads include depreciation, utility charges, other tax and surcharge.

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The revenue from sales of our products could be affected by the fluctuations in the purchase price of raw materials. The following table sets out the purchase quantity and average purchase price of our major raw materials by product category for the years indicated:

	For the year ended 31 December					
	2014		2015		2016	
	Purchase quantity (kg in '000)	Average purchase price (RMB per kg)	Purchase quantity (kg in '000)	Average purchase price (RMB per kg)	Purchase quantity (kg in '000)	Average purchase price (RMB per kg)
Dried seafood	8,508	9.5	9,833	13.4	9,534	18.3
Algae and fungi	1,024	47.6	2,830	23.4	3,253	37.6
Algae	1,024	47.6	2,788	22.3	3,188	36.5
Fungi	–	–	42	97.2	65	87.8
Seafood snacks	17	53.1	346	46.5	497	44.0
Frozen seafood	674	28.8	503	30.3	156	23.5
Total	<u>10,223</u>		<u>13,512</u>		<u>13,440</u>	

During the years ended 31 December 2014, 2015 and 2016, the total purchase quantity of our products were approximately 10,200 tonnes, 13,500 tonnes and 13,400 tonnes, respectively; whereas the total sales volumes of our products were approximately 3,400 tonnes, 5,400 tonnes and 5,500 tonnes, respectively. As the raw materials purchased by us for dried seafood, frozen seafood and algae were mainly wet produce which were heavier, the purchase quantity of our dried seafood, frozen seafood and algae were far higher than the sales volume of our products in terms of weight during the Track Record Period.

The average purchase price per kg of dried seafood for the years ended 31 December 2014, 2015 and 2016 were approximately RMB9.5, RMB13.4 and RMB18.3, respectively. The increase in average purchase price of dried seafood during the Track Record Period was mainly due to the general increase in purchase prices of raw materials for our major dried seafood product.

The average purchase price per kg of algae and fungi for the years ended 31 December 2014, 2015 and 2016 were approximately RMB47.6, RMB23.4 and RMB37.6, respectively. The fluctuations during the years ended 31 December 2014 and 2015 were mainly due to the surge in cost of raw materials in 2014 as a result of the shortage of supply of seaweed and sea tangle caused by the super-typhoon in late 2013. The increase in average purchase price of algae and fungi for the year ended 31 December 2016 as compared to 2015 was mainly due to the increase in the portion of purchase of products with higher purchase prices, which corresponded with the increase in sales of the relevant products.

The average purchase price per kg of seafood snacks for the years ended 31 December 2014, 2015 and 2016 were approximately RMB53.1, RMB46.5 and RMB44.0, respectively. The decrease in average purchase price of seafood snacks during the Track Record Period was mainly due to the increase in the portion of purchase of materials that were of lower unit price, which corresponded with the lower selling price of the products that were launched in 2015 and 2016.

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The average purchase price per kg of frozen seafood for the years ended 31 December 2014, 2015 and 2016 were approximately RMB28.8, RMB30.3 and RMB23.5, respectively. The fluctuations during the years ended 31 December 2014, 2015 and 2016 were mainly affected by the overall market demand for our frozen seafood.

The following table sets forth the breakdown of total purchases by product category for the years indicated:

	For the year ended 31 December					
	2014		2015		2016	
	RMB'000	% of total purchases (%)	RMB'000	% of total purchases (%)	RMB'000	% of total purchases (%)
Dried seafood	80,891	52.8	131,891	55.9	174,736	52.6
Algae and fungi	48,764	31.8	66,200	28.1	122,208	36.8
Seafood snacks	902	0.6	16,094	6.8	21,876	6.6
Frozen seafood	19,402	12.7	15,248	6.5	3,664	1.2
Packaging materials	3,188	2.1	6,458	2.7	9,410	2.8
Total	153,147	100.0	235,891	100.0	331,894	100.0

Sensitivity analysis

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the purchase prices of our products on our gross profit during the years indicated, assuming all other variables remain constant:

- (a) Hypothetical fluctuations on purchase price of our dried seafood

Change in gross profit (RMB'000)	Changes in purchase prices ^(Note)		
	Increase/ decrease by 10%	Increase/ decrease by 20%	Increase/ decrease by 30%
Year ended 31 December 2014	9,685	19,370	29,054
Year ended 31 December 2015	15,698	31,396	47,093
Year ended 31 December 2016	18,939	37,877	56,816

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(b) Hypothetical fluctuations on purchase price of our algae and fungi

Change in gross profit (RMB'000)	Changes in purchase prices ^(Note)		
	Increase/ decrease by 20%	Increase/ decrease by 60%	Increase/ decrease by 100%
Year ended 31 December 2014	7,837	23,510	39,183
Year ended 31 December 2015	16,856	50,568	84,280
Year ended 31 December 2016	25,756	77,268	128,780

(c) Hypothetical fluctuations on purchase price of our seafood snacks

Change in gross profit (RMB'000)	Changes in purchase prices ^(Note)		
	Increase/ decrease by 5%	Increase/ decrease by 10%	Increase/ decrease by 15%
Year ended 31 December 2014	63	126	189
Year ended 31 December 2015	908	1,816	2,724
Year ended 31 December 2016	1,290	2,580	3,871

(d) Hypothetical fluctuations on purchase price of our frozen seafood

Change in gross profit (RMB'000)	Changes in purchase prices ^(Note)		
	Increase/ decrease by 10%	Increase/ decrease by 20%	Increase/ decrease by 30%
Year ended 31 December 2014	1,965	3,930	5,895
Year ended 31 December 2015	1,344	2,689	4,033
Year ended 31 December 2016	567	1,134	1,702

Note: The rate of fluctuations used in the above sensitivity analysis is determined with reference to the maximum and minimum fluctuations in the respective purchase prices of raw materials over the Track Record Period.

Breakeven analysis

For illustrative purpose, for the years ended 31 December 2014, 2015 and 2016, it is estimated that we would achieve breakeven on gross profit if our cost of sales increased by approximately 30.5%, 34.5% and 33.9%, respectively, with all other variables remain constant.

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Gross profit and gross profit margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage.

The following table sets forth our gross profit and gross profit margin by product category for the years indicated:

	For the year ended 31 December								
	2014			2015			2016		
	Gross profit	% of total gross profit	Gross profit margin	Gross profit	% of total gross profit	Gross profit margin	Gross profit	% of total gross profit	Gross profit margin
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
Dried seafood	30,295	63.3	23.8	55,240	58.7	26.0	66,430	56.1	26.0
Algae and fungi	11,613	24.2	22.9	29,363	31.2	25.8	42,051	35.5	24.6
Seafood snacks	344	0.7	21.4	5,913	6.3	24.6	8,172	6.9	24.1
Frozen seafood	5,651	11.8	22.3	3,590	3.8	21.1	1,744	1.5	23.5
Total	<u>47,903</u>	<u>100.0</u>	23.4	<u>94,106</u>	<u>100.0</u>	25.6	<u>118,397</u>	<u>100.0</u>	25.3

For the years ended 31 December 2014, 2015 and 2016, our gross profit was approximately RMB47.9 million, RMB94.1 million and RMB118.4 million, respectively.

Other income and other gains/(losses), net

Our other income represents rental income generated from the seaweed farms located in Xiapu, the PRC and interest income from bank deposits. Our other gains and losses represent the impairment loss on trade receivables and recovery of impairment loss on trade receivables previously recognised.

Selling and distribution expenses

Selling and distribution expenses primarily consist of salaries and employee benefit expenses for employees engaging in the sales and promotion activities, transportation expenses, advertising and promotion expenses, rental expenses and other expenses. For the years ended 31 December 2014, 2015 and 2016, our selling and distribution expenses were approximately RMB8.5 million, RMB14.5 million and RMB17.8 million, respectively, representing approximately 4.2%, 4.0% and 3.8% of our total revenue for these same respective periods.

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The following table sets forth our selling and distribution expenses by category for the years indicated:

	For the year ended 31 December					
	2014		2015		2016	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Selling and distribution expenses						
Salaries and employees						
benefit expenses	5,456	2.7	8,283	2.3	10,431	2.2
Transportation expenses	1,208	0.6	2,630	0.7	3,556	0.8
Advertising and						
promotion expenses	635	0.3	1,603	0.4	1,891	0.4
Rental expenses	987	0.5	1,338	0.4	1,032	0.2
Others ⁽¹⁾	250	0.1	693	0.2	928	0.2
Total	8,536	4.2	14,547	4.0	17,838	3.8

Note:

1. Others mainly represent delivery expenses and travelling expenses.

Salaries and employee benefit expenses were the largest component of our selling and distribution expenses and were approximately RMB5.5 million, RMB8.3 million and RMB10.4 million for the years ended 31 December 2014, 2015 and 2016, respectively. Our advertising and promotion expenses were mainly related to our participation in setting up booths at certain points-of-sale of our customers for the purpose of marketing our products to the end consumers. Our transportation expenses mainly represent the delivery costs incurred relating to the sales and distribution of our products to our customers. We bear the costs for delivering our products to our customers and such costs are generally charged based on the weight and distance of delivery. As majority of our products, such as dried seafood, algae and fungi, were light in weight and most of our customers were based in Fujian and Guangdong Provinces, the costs for delivering our products to our customers remained low. As such, our transportation expenses only accounted for approximately 0.6%, 0.7% and 0.8% of our total revenue for the years ended 31 December 2014, 2015 and 2016, respectively. Rental expenses decreased during the year ended 31 December 2016 as a result of expiry of the lease of one of our warehouses in 2015.

Administrative expenses

Administrative expenses primarily consist of salaries and employees benefit expenses, rental expenses, office expenses, depreciation, listing expenses and others. For the years ended 31 December 2014, 2015 and 2016, our administrative expenses were approximately RMB1.9 million, RMB2.7 million and RMB14.0 million, respectively, accounted for approximately 0.9%, 0.7% and 3.0% of our revenue for these same respective periods.

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The following table sets forth our administrative expenses by category for the years indicated:

	For the year ended 31 December					
	2014		2015		2016	
	RMB'000	% of revenue (%)	RMB'000	% of revenue (%)	RMB'000	% of revenue (%)
Administrative expenses						
Salaries and employees						
benefit expenses	1,292	0.63	1,688	0.46	3,000	0.64
Rental expenses	14	0.01	154	0.04	509	0.11
Office expenses	55	0.03	130	0.03	221	0.05
Depreciation	64	0.03	66	0.02	66	0.01
Listing expenses	–	–	100	0.03	9,012	1.93
Others ⁽¹⁾	426	0.20	569	0.16	1,231	0.26
Total	1,851	0.90	2,707	0.74	14,039	3.00

Note:

1. Others mainly represent insurance and utility charges.

Rental expenses

Rental expenses consist of rental expenses for our production facilities, warehouses for our finished goods and raw materials and offices. For the years ended 31 December 2014, 2015 and 2016, our total rental expenses included in cost of sales, selling expenses and administrative expenses amounted to approximately RMB1.1 million, RMB1.6 million and RMB1.7 million respectively. Rental expenses were dependent on the monthly rental as stipulated in the rental agreement which was entered with fixed monthly rental for lease terms ranged from one to three years and therefore it did not increased correspondingly to the growth in revenue and net profit during the Track Record Period.

Income tax expense

Our income tax expense primarily consists of the EIT of Xiamen Wofan and Fujian Wofan, the applicable tax rate of which being 25%. For the years ended 31 December 2014, 2015 and 2016, our income tax expense was approximately RMB9.3 million, RMB19.4 million and RMB24.3 million, respectively. Our effective tax rates, calculated as the income tax expense divided by the profit before income tax, were approximately 26.0%, 25.8% and 28.4% for the years ended 31 December 2014, 2015 and 2016, respectively.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, we are not subject to any income tax in the Cayman Islands or the BVI.

Hong Kong profits tax at 16.5% has not been provided as our Group had no assessable profits arising in Hong Kong for the years ended 31 December 2014, 2015 and 2016.

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Our Directors confirm that we have made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. We are not subject to any dispute or potential dispute with any tax authorities.

Finance costs

Our finance costs consist of interest charges on secured bank and other borrowings. For the years ended 31 December 2014, 2015 and 2016, our finance costs were approximately RMB1.3 million, RMB1.0 million and RMB0.2 million, respectively.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2016 compared with year ended 31 December 2015

Revenue

Our revenue increased by approximately 27.5% from approximately RMB367.0 million for the year ended 31 December 2015 to approximately RMB468.0 million for the year ended 31 December 2016.

Revenue from our sales of dried seafood increased by approximately 20.5% from approximately RMB212.2 million for the year ended 31 December 2015 to approximately RMB255.8 million for the year ended 31 December 2016, primarily due to (i) an increase in demand for products that were launched in 2015, including local dried squid without packaging, and gift box products, which increased sales by RMB65.8 million, (ii) the acquisition of new customers, which increased sales by RMB34.2 million, and (iii) the introduction of New Product Types and Enhanced Products, including new packaging, local dried squid and dried oysters, which increased sales by RMB18.0 million. This increase was offset by a decrease in sales of old products, such as dried small shrimp, of RMB40.3 million due to increased market competition.

Revenue from our sales of algae and fungi increased by approximately 50.3% from approximately RMB113.6 million for the year ended 31 December 2015 to approximately RMB170.8 million for the year ended 31 December 2016, primarily due to (i) the acquisition of new customers, which drove sales by RMB17.0 million, and (ii) an increase in demand for products that were launched in 2015, including packaged and unpackaged organic seaweed, which drove sales by RMB50.4 million.

Revenue from our sales of seafood snacks increased by approximately 41.1% from approximately RMB24.1 million for the year ended 31 December 2015 to approximately RMB34.0 million for the year ended 31 December 2016, primarily due to (i) an increase in demand for products that were launched in 2015, which drove sales by RMB6.3 million, (ii) the introduction of New Product Types and Enhanced Products, which drove sales by RMB5.2 million, and (iii) the acquisition of new customers, which drove sales by RMB3.7 million. This increase was offset by a decrease in sales of old products, of RMB1.5 million.

Revenue from our sales of frozen seafood decreased by approximately 56.5% from approximately RMB17.0 million for the year ended 31 December 2015 to approximately RMB7.4 million for the year ended 31 December 2016, primarily due to the decrease in overall market demand of our frozen seafood.

Please refer to the section headed “Financial Information — Revenue — Revenue by sales channel” in this prospectus for further details of our revenue by sales channel during the Track Record Period.

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Our revenue growth during this period can be attributable to the following factors:

(a) Average selling price

The average selling prices of dried seafood grew by approximately 32.5% from RMB65.2 per kg for the year ended 31 December 2015 to RMB86.4 per kg for the year ended 31 December 2016. The increase in the average selling price of dried seafood for the year ended 31 December 2016 as compared to 2015 was mainly due to (a) improvement in our product mix, as we sold New Product Types and Enhanced Products such as local dried squids introduced in 2015 and dried oysters and a new flavour of dried peeled prawns in 2016 with generally higher prices; and (b) the higher overall selling price of our dried seafood, as we improved our pricing ability in the market after having established a stronger market position in 2016 through (i) the increase in sales volume of our dried seafood from 2014 to 2015; (ii) the increasing sales penetration of our products with existing customers and acquisition of new customers; (iii) the introduction of New Product Types and Enhanced Products (except for 2014 when we introduced only one Enhanced Product); and (iv) our implementation of direct-contact promotion strategy.

The average selling prices of algae and fungi grew by approximately 18.4% from RMB81.4 per kg for the year ended 31 December 2015 to RMB96.4 per kg for the year ended 31 December 2016. The increase in the average selling price of algae and fungi for the year ended 31 December 2016 as compared to 2015 was mainly due to the higher overall selling price of our algae and fungi, as we improved our pricing ability in the market after having established a stronger market position in 2016 through (i) the increase in sales volume of our algae and fungi from 2014 to 2015; (ii) the increasing sales penetration of our products with existing customers and acquisition of new customers; (iii) the introduction of New Product Types and Enhanced Products (except for 2014 when we introduced only one Enhanced Product); and (iv) our implementation of direct-contact promotion strategy.

Despite the higher overall selling price of our dried seafood and algae and fungi products in general, we believe that our customers continue to choose our dried seafood and algae and fungi products mainly due to (a) the Strong Historical Sales Record of our products, supported by effective sales and promotion strategies; (b) our stable product supply; and (c) our large and evolving range of diverse product offering.

(b) Existing and new customers

Among the revenue increase of approximately RMB101.1 million, or 27.5%, from the year ended 31 December 2015 to the year ended 31 December 2016, approximately RMB46.1 million, or 45.6%, was contributed by the sales to our existing customers, while approximately RMB55.0 million, or 54.4%, was contributed by the sales to our new customers acquired during the year ended 31 December 2016. Among such revenue increase contributed by our existing customers, approximately RMB16.3 million, or 35.3%, was contributed by the sales to our customers acquired in 2014 and 2015, while approximately RMB29.8 million, or 64.7%, was contributed by the sales to our customers acquired prior to the beginning of the Track Record Period.

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(c) New Product Types and Enhanced Products

Among the revenue increase from the year ended 31 December 2015 to the year ended 31 December 2016 of approximately RMB101.1 million, approximately RMB25.0 million, or 24.7%, was contributed by the sales of our New Product Types and Enhanced Products offered to the market, of which four New Product Types contributed approximately RMB5.6 million and 28 Enhanced Products contributed approximately RMB19.3 million, during the year ended 31 December 2016.

Cost of sales

Our cost of sales increased by approximately 28.1% from approximately RMB272.9 million for the year ended 31 December 2015 to approximately RMB349.6 million for the year ended 31 December 2016.

The increase in cost of sales was primarily due to an increase in our cost of raw materials by approximately 30.7% from approximately RMB249.1 million for the year ended 31 December 2015 to approximately RMB325.6 million for the year ended 31 December 2016, mainly as a result of an increase in the purchase quantity of our dried seafood, algae and seafood snacks driven by increased sales.

The increase in cost of sales was partly offset by a slight decrease in the sub-contracting fees by approximately 1.5% from approximately RMB20.3 million for the year ended 31 December 2015 to approximately RMB20.0 million for the year ended 31 December 2016 as a result of the decrease in the volume of dried seafood processed by our sub-contractors.

The increase of in cost of sales was also attributable to an increase in the salaries of approximately 21.6% from approximately RMB2.2 million for the year ended 31 December 2015 to approximately RMB2.6 million for the year ended 31 December 2016 due to an increase in average monthly salary and headcounts of our production department.

Gross profit and gross profit margin

Our gross profit increased by approximately 25.8% from approximately RMB94.1 million for the year ended 31 December 2015 to approximately RMB118.4 million for the year ended 31 December 2016.

Our gross profit margin decreased slightly by approximately 0.3% from approximately 25.6% for the year ended 31 December 2015 to 25.3% for the year ended 31 December 2016 due to the following reasons:

- (i) our gross profit from sales of dried seafood increased slightly by approximately 20.3% from approximately RMB55.2 million for the year ended 31 December 2015 to approximately RMB66.4 million for the year ended 31 December 2016, which corresponded to the increase in sales. Our gross profit margin from sales of dried seafood remained stable at approximately 26.0% for the year ended 31 December 2015 and 2016;

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- (ii) our gross profit from sales of algae and fungi increased by approximately 43.2% from approximately RMB29.4 million for the year ended 31 December 2015 to approximately RMB42.1 million for the year ended 31 December 2016, which corresponded to the increase in sales. Our gross profit margin from sales of algae and fungi decreased from approximately 25.8% for the year ended 31 December 2015 to approximately 24.6% for the year ended 31 December 2016, primarily due to an increase in portion of sales of unpackaged algae which were of lower profit margin;
- (iii) our gross profit from sales of seafood snacks increased by approximately 38.2% from approximately RMB5.9 million for the year ended 31 December 2015 to approximately RMB8.2 million for the year ended 31 December 2016, which was in line with the increase in sales. Our gross profit margin from sales of seafood snacks decreased from approximately 24.6% for the year ended 31 December 2015 to approximately 24.1% for the year ended 31 December 2016, primarily due to an overall general decrease in the selling prices as we had made minor price adjustment in response to market positioning; and
- (iv) our gross profit from sales of frozen seafood decreased by approximately 51.4% from approximately RMB3.6 million for the year ended 31 December 2015 to approximately RMB1.7 million for the year ended 31 December 2016, which corresponded to the decrease in sales, whilst the gross profit margin increased slightly as a result of the decrease in the cost of raw materials for our frozen seafood, which outpaced the decrease in our average selling price.

Other income and other gains/(losses), net

Our other income and other gains increased from approximately RMB411,000 for the year ended 31 December 2015 to approximately RMB435,000 for the year ended 31 December 2016, primarily due to an increase in interest income on bank deposits.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 22.6% from approximately RMB14.5 million for the year ended 31 December 2015 to approximately RMB17.8 million for the year ended 31 December 2016. This increase was primarily due to (i) an increase in salaries as a result of an increase in average headcounts of the sales department as part of our change in promotion strategy since 2013 (please refer to the section headed “Business — Sales and Promotion” in this prospectus for details); (ii) increase in advertising and promotion expenses; (iii) increase in transportation expenses; offset by the decrease in rental expenses as a result of expiry of the lease of one of our warehouses for dried seafood located in Xiapu in 2015 which was entered by Fujian Wofan. Such lease was not renewed as a result of our strategic decision for Fujian Wofan to focus on algae business. As a percentage of revenue, our selling and distribution expenses remained relatively stable at approximately 4.0% and 3.8% for the year ended 31 December 2015 and 2016, respectively.

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Administrative expenses

Our administrative expenses increased by approximately 418.6% from approximately RMB2.7 million for the year ended 31 December 2015 to approximately RMB14.0 million for the year ended 31 December 2016. This significant increase was primarily due to the listing expenses and an increase in average salaries of administrative staff. As a percentage of revenue, our administrative expenses accounted for approximately 0.7% for the year ended 31 December 2015 and approximately 3.0% for the year ended 31 December 2016.

Finance costs

Our finance costs decreased by approximately 78.7% from approximately RMB1.0 million for the year ended 31 December 2015 to approximately RMB0.2 million for the year ended 31 December 2016. The decrease was mainly due to repayment of bank borrowings.

Income tax expense

Our income tax expense increased by approximately 25.2% from approximately RMB19.4 million for the year ended 31 December 2015 to approximately RMB24.3 million for the year ended 31 December 2016. Our effective tax rates, calculated as the income tax expense divided by the profit before income tax, were approximately 25.8% and 28.4% for the year ended 31 December 2015 and 2016, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately 9.5% from approximately RMB55.8 million for the year ended 31 December 2015 to approximately RMB61.2 million for the year ended 31 December 2016.

Year ended 31 December 2015 compared with the year ended 31 December 2014

Revenue

Our revenue increased by approximately 79.2% from approximately RMB204.8 million for the year ended 31 December 2014 to approximately RMB367.0 million for the year ended 31 December 2015.

Revenue from our sales of dried seafood increased by approximately 67.0% from approximately RMB127.1 million for the year ended 31 December 2014 to approximately RMB212.2 million for the year ended 31 December 2015, primarily due to (i) an increase in sales amounted to approximately RMB68.2 million attributable to the introduction of additional packaged dried seafood as part of our product offering enrichment strategy (alongside with our unpackaged products), including dried squid, squid strips, sliced squid foot, dried cuttlefish and premium scallops, to cater to the consumers' demand for packaged dried seafood; (ii) an increase in the number of promoters stationing at the designated stores of our supermarket customers as part of our direct-contact promotion strategy, thereby stimulating our sales to these customers; and (iii) an increase in the number of our sales representatives which in turn allow us to establish business relationship with new trading companies customers during the year ended 31 December 2015.

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Revenue from our sales of algae and fungi increased by approximately 123.6% from approximately RMB50.8 million for the year ended 31 December 2014 to approximately RMB113.6 million for the year ended 31 December 2015, primarily due to (i) the introduction of additional algae and fungi product types and packaging, including algae in smaller-sized package and new types of sliced sea tangle, sea tangle knot, sea fungus, flower mushroom and brown beech mushroom, as part of our product offerings enrichment strategy, which achieved sales of approximately RMB52.7 million; and (ii) we successfully expanded our sales of algae and fungi products to new customers.

Revenue from our sales of seafood snacks increased by approximately 1,406.3% from approximately RMB1.6 million for the year ended 31 December 2014 to approximately RMB24.1 million for the year ended 31 December 2015, primarily due to (i) an increase in sales to customers amounted to approximately RMB13.1 million which was attributable to the launch of additional seafood snacks, including sliced octopus, crispy yellow croaker, crispy squid and grilled filefish (some of which were co-developed with Jimei University), as part of our product offerings enhancement strategy; and (ii) an increase in number of new customers.

Revenue from our sales of frozen seafood decreased by approximately 32.8% from approximately RMB25.3 million for the year ended 31 December 2014 to approximately RMB17.0 million for the year ended 31 December 2015, primarily due to a decrease in overall market demand of our frozen seafood.

Please refer to the sections headed “Business — Overview” and “Business — Sales and Promotion” in this prospectus for details of the above mentioned strategies.

Please refer to the section headed “Financial Information — Revenue — Revenue by sales channel” in this prospectus for further details of our revenue by sales channel during the Track Record Period.

Our revenue growth during this period can be attributable to the following factors:

(a) Sales volume

Sales volume of our food products increased from approximately 3,362,000 kg for the year ended 31 December 2014 to approximately 5,427,000 kg for the year ended 31 December 2015, representing an increase approximately of 61.4%.

(b) Existing and new customers

Among the revenue increase of approximately RMB162.2 million, or 79.2%, from the year ended 31 December 2014 to the year ended 31 December 2015, approximately RMB108.7 million, or 67.0%, was accounted for by the sales to our existing customers, while approximately RMB53.5 million, or 33.0%, was accounted for by the increase in sales to our new customers acquired during the year ended 31 December 2015. Among such revenue increase contributed by our existing customers, approximately RMB29.6 million, or 27.2%, was contributed by the sales to our customers acquired in 2014, while approximately RMB79.1 million, or 72.8%, was contributed by the sales to our customers acquired prior to the beginning of the Track Record Period.

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(c) New Product Types and Enhanced Products

Among the revenue increase from the year ended 31 December 2014 to the year ended 31 December 2015 of approximately RMB162.2 million, approximately RMB154.6 million, or 95.3% was contributed by the sales of our New Product Types and Enhanced Products offered to the market, of which 51 New Product Types contributed approximately RMB35.7 million and 73 Enhanced Products contributed approximately RMB118.9 million, during the year ended 31 December 2015.

Our revenue derived from the sales of (i) dried seafood; (ii) algae and fungi products; and (iii) seafood snacks has increased by approximately RMB85.1 million; RMB62.8 million; and RMB22.5 million respectively from the year ended 31 December 2014 to the year ended 31 December 2015. The sale of New Product Types and Enhanced Products has accounted for approximately 104.4% (or RMB88.8 million), 83.8% (or RMB52.7 million), 58.3% (or RMB13.1 million) of the growth of sales of each of these product type, respectively.

(d) Direct-contact promotion strategy

Our total sales to our five largest customers increased by approximately RMB53.2 million, or 70.5%, when the number of promoters allocated to these customers increased from 70 as at 31 December 2014 to 100 as at 31 December 2015.

Cost of sales

Our cost of sales increased by approximately 73.9% from approximately RMB156.9 million for the year ended 31 December 2014 to approximately RMB272.9 million for the year ended 31 December 2015.

The increase in cost of sales was primarily due to an increase in our cost of raw materials by approximately 72.3% from approximately RMB144.6 million for the year ended 31 December 2014 to approximately RMB249.1 million for the year ended 31 December 2015, mainly as a result of an increase in the purchase quantity of our dried seafood, algae, fungi and seafood snacks driven by the increase in sales of corresponding seafood.

The increase in cost of sales was also attributable to an increase in the sub-contracting fees by approximately 95.2% from approximately RMB10.4 million for the year ended 31 December 2014 to approximately RMB20.3 million for the year ended 31 December 2015 as a result of a significant increase in the volume of dried seafood, algae and fungi processed by our sub-contractors which corresponded to the increase in our sales.

The increase of in cost of sales was also attributable to an increase in the salaries of approximately 57.1% from approximately RMB1.4 million for the year ended 31 December 2014 to approximately RMB2.2 million for the year ended 31 December 2015 due to an increase in the number of our packaging staff.

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Gross profit and gross profit margin

Our gross profit increased by approximately 96.5% from approximately RMB47.9 million for the year ended 31 December 2014 to approximately RMB94.1 million for the year ended 31 December 2015. Our gross profit margin increased from approximately 23.4% for the year ended 31 December 2014 to approximately 25.6% for the year ended 31 December 2015. The increase in gross profit and gross profit margin was a result of the following:

- (i) our gross profit from sales of dried seafood increased by approximately 82.2% from approximately RMB30.3 million for the year ended 31 December 2014 to approximately RMB55.2 million for the year ended 31 December 2015, which corresponded to the increase in sales. Our gross profit margin from sales of dried seafood increased from approximately 23.8% for the year ended 31 December 2014 to approximately 26.0% for the year ended 31 December 2015, primarily due to the launch of New Product Types and Enhanced Products (such as gift boxed products) with higher profit margin;
- (ii) our gross profit from sales of algae and fungi increased by approximately 153.4% from approximately RMB11.6 million in 2014 to approximately RMB29.4 million for the year ended 31 December 2015, which corresponded to the increase in sales. Our gross profit margin from sales of algae and fungi slightly increased from approximately 22.9% for the year ended 31 December 2014 to approximately 25.8% for the year ended 31 December 2015, primarily due to a decrease in the average purchase price of the algae and fungi after the recovery of the shortage of supply of seaweed and sea tangle in first half of 2014 due to the super-typhoon in late 2013 whilst the average selling price of our algae and fungi remained relatively stable;
- (iii) our gross profit from sales of seafood snacks increased by approximately 1,866.7% from approximately RMB0.3 million to approximately RMB5.9 million, which was the result of the increase in sales. Our gross profit margin from sales of seafood snacks increased from approximately 21.4% for the year ended 31 December 2014 to approximately 24.6% for the year ended 31 December 2015, primarily due to (i) the relatively low profit margin of our seafood snacks sold in 2014; and (ii) the launch of new seafood snacks in 2015 with higher profit margin; and
- (iv) our gross profit from sales of frozen seafood decreased by approximately 36.8% from approximately RMB5.7 million to approximately RMB3.6 million due to a decrease in the sales volume as a result of the decrease in the overall demand of our frozen seafood whilst the gross profit margin remained relatively stable.

Other income and other gains/(losses), net

Our other income and other gains/(losses) represented a net loss of approximately RMB157,000 for the year ended 31 December 2014 and a net gain of approximately RMB411,000 for the year ended 31 December 2015, primarily as a result of (i) a reversal of impairment loss on trade receivables amounted to approximately RMB191,000 previously recognised; and (ii) an increase in the interest income from bank deposits.

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Selling and distribution expenses

Our selling and distribution expenses increased by approximately 70.6% from approximately RMB8.5 million for the year ended 31 December 2014 to approximately RMB14.5 million for the year ended 31 December 2015. This increase was primarily attributable to a significant increase in the average headcount of the sales department as part of our change in promotion strategy since 2013 and an increase in the transportation fees which corresponded with increase in sales. Please refer to the section headed “Business — Sales and Promotion” in this prospectus for details.

As a percentage of revenue, our selling and distribution expenses remained stable at approximately 4.2% and 4.0% for the years ended 31 December 2014 and 2015, respectively.

Administrative expenses

Our administrative expenses increased by approximately 42.1% from approximately RMB1.9 million for the year ended 31 December 2014 to approximately RMB2.7 million for the year ended 31 December 2015. This increase was primarily due to the increase in salaries as a result of an increase in average headcounts and an increase in the rental expenses as we leased more properties for our operations. As a percentage of revenue, our administrative expenses remained stable at approximately 0.9% and approximately 0.7% for the years ended 31 December 2014 and 2015, respectively.

Finance costs

Our finance costs decreased by approximately 23.1% from approximately RMB1.3 million for the year ended 31 December 2014 to approximately RMB1.0 million for the year ended 31 December 2015. The decrease was mainly due to a decrease in the average balance of interest-bearing borrowings.

Income tax expense

Our income tax expense increased by approximately 108.6% from approximately RMB9.3 million for the year ended 31 December 2014 to approximately RMB19.4 million for the year ended 31 December 2015. Our effective tax rates were approximately 26.0% and 25.8% for the year ended 31 December 2014 and 2015, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately 110.6% from approximately RMB26.5 million for the year ended 31 December 2014 to approximately RMB55.8 million for the year ended 31 December 2015.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we funded our working capital and other capital requirements principally by cash generated from our operating activities, interest-bearing borrowings and advances from a director. Our significant expenditure item during the Track Record Period had been our cost of sales.

We expect our capital requirements for our operation and future business plan as detailed in the sections headed “Business — Business Strategies” and “Future Plans and Use of Proceeds” in this prospectus after the Listing shall continually be funded by cash generated from our operating activities, bank borrowings and net proceeds from the Global Offering.

Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities . . .	28,837	68,594	34,300
Net cash (used in)/generated from investing activities	(111)	139	351
Net cash (used in)/generated from financing activities	(6,640)	(26,524)	1,651
Net increase in cash and cash equivalents	22,086	42,209	36,302
Cash and cash equivalents at beginning of the years	9,384	31,470	73,679
Effect of exchange rate changes	—	—	1
Cash and cash equivalents at end of the years	31,470	73,679	109,982

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Net cash generated from operating activities

For the year ended 31 December 2014, our net cash generated from operating activities was approximately RMB28.8 million, primarily represented by the cash generated from operations of approximately RMB36.2 million and profits tax paid amounted to approximately RMB7.4 million.

Our cash generated from operations for the year ended 31 December 2014 was approximately RMB36.2 million while our profit before income tax was approximately RMB35.8 million. The difference mainly represented the adjustments for non-cash and non-operating items and a net decrease relating to working capital adjustments. The working capital adjustments mainly represented (i) an increase in inventories of approximately RMB8.9 million as a result of the stock up of inventories in order to cater to the increase in purchase orders received by Fujian Wofan for our algae for delivery in the first quarter of 2015; (ii) an increase in trade receivables of approximately RMB33.9 million as a result of the increase in sales close to the end of 2014; and (iii) an increase in trade payable of approximately RMB39.5 million as a result of the increase in purchase close to the end of 2014.

For the year ended 31 December 2015, our net cash generated from operating activities was approximately RMB68.6 million, primarily represented by the cash generated from operations of approximately RMB85.7 million and income tax paid amounted to approximately RMB17.1 million.

Our cash generated from operations for the year ended 31 December 2015 was approximately RMB85.7 million while our profit before income tax was approximately RMB75.2 million. The difference mainly represents the adjustments for non-cash and non-operating items and a net increase relating to working capital adjustments. The working capital adjustments mainly represents (i) a decrease in inventories of approximately RMB16.5 million as a result of the decrease in purchase in late 2015 as compared with late 2014; and (ii) a decrease in trade payable of approximately RMB7.6 million due to less purchase were made in December 2015 as compared with December 2014.

For the year ended 31 December 2016, our net cash generated from operating activities was approximately RMB34.3 million, primarily represented by the cash generated from operations of approximately RMB57.1 million and income tax paid amounted to approximately RMB22.8 million.

Our cash generated from operations for the year ended 31 December 2016 was approximately RMB57.1 million while our profit before income tax was approximately RMB85.4 million. The difference mainly represents the adjustments for non-cash and non-operating items and a net increase relating to working capital adjustments. The working capital adjustments mainly represents an increase in inventories of approximately RMB6.3 million as a result of the preparation of inventories for the sale season of the Chinese New Year and an increase in trade receivables of approximately RMB23.2 million as a result of the increase in sales close to the end of 2016.

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Net cash (used in)/generated from investing activities

For the year ended 31 December 2014, our Group experienced net cash used in investing activities of approximately RMB0.1 million. The net cash used was mainly attributable to the purchase of plant and equipment of approximately RMB0.1 million.

For the year ended 31 December 2015, our Group experienced net cash generated from investing activities of approximately RMB0.1 million. The net cash generated was mainly attributable to the interest income on bank deposits of approximately RMB0.2 million, offset by the purchase of plant and equipment of approximately RMB30,000.

For the year ended 31 December 2016, our Group had a net cash generated from investing activities of approximately RMB0.4 million which was mainly attributable to the interest income on the bank deposits.

Net cash (used in)/generated from financing activities

For the year ended 31 December 2014, our net cash used in financing activities was approximately RMB6.6 million. Our cash used in financing activities primarily consisted of the net repayment of approximately RMB10.7 million to a director, offset by the net increase in interest bearing borrowings of approximately RMB5.4 million and interest paid amounted to RMB1.3 million.

For the year ended 31 December 2015, our net cash used in financing activities was approximately RMB26.5 million. Our cash used in financing activities primarily attributed to net repayment of interest bearing borrowings of approximately RMB5.2 million, dividends paid to shareholders of Xiamen Wofan amounted to approximately RMB20.0 million and interest paid amounted to RMB1.0 million.

For the year ended 31 December 2016, our net cash generated from financing activities was approximately RMB1.7 million. Our cash generated from financing activities primarily attributed to an advance from a shareholder of approximately RMB17.3 million, net off by the repayment of interest-bearing borrowings of approximately RMB9.6 million and the deemed distribution to owners of our Company of approximately RMB5.8 million.

Working Capital

Our Directors confirm that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Global Offering, available banking facilities, and cash flows from our operations.

FINANCIAL INFORMATION

NET CURRENT ASSETS AND SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following tables sets forth our current assets and current liabilities, and net current assets as at the dates indicated:

	As at 31 December			As at 31 May
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets				
Inventories	41,783	25,322	31,591	31,791
Trade receivables	48,568	51,311	74,533	73,232
Deposits, prepayments and other receivables	5,033	6,042	3,649	4,442
Pledged bank deposits	82	72	–	–
Cash and cash equivalents	31,470	73,679	109,982	141,311
Total current assets	126,936	156,426	219,755	250,776
Current liabilities				
Trade payables.	47,043	39,483	39,715	30,999
Accruals, deposits received and other payables	1,132	1,372	20,405	24,729
Amount due to a director	300	–	–	–
Provision for taxation.	3,135	5,449	6,924	4,100
Interest-bearing borrowings	14,821	9,625	–	–
Total current liabilities.	66,431	55,929	67,044	59,828
Net current assets.	60,505	100,497	152,711	190,948

We had net current assets of approximately RMB60.5 million, RMB100.5 million, RMB152.7 million and RMB190.9 million as at 31 December 2014, 2015, 2016 and 31 May 2017, respectively.

Our net current assets increased from approximately RMB60.5 million as at 31 December 2014 to approximately RMB100.5 million as at 31 December 2015. The increase was primarily attributable to (i) an increase in cash and cash equivalent of approximately RMB42.2 million which was due to the increased profits generated from our sales of our products; (ii) a decrease in trade payables of approximately RMB7.6 million due to a decrease in purchase close to the end of 2015; (iii) a decrease in interest-bearing borrowings of approximately RMB5.2 million due to repayment of interest-bearing borrowings; and (iv) payment of dividends amounted to approximately RMB20.0 million.

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Our net current assets increased from approximately RMB100.5 million as at 31 December 2015 to approximately RMB152.7 million as at 31 December 2016. The increase was primarily attributable to (i) an increase in trade receivables of approximately RMB23.2 million due to the increase in sales in December 2016 as compared with December 2015; (ii) an increase in cash and cash equivalent of approximately RMB36.3 million which was due to the increased profits generated from our sales of our products; (iii) an increase in accruals, deposits received and other payables of approximately RMB19.0 million due to increase in amounts due to shareholders; and (iv) repayment of interest-bearing borrowings of approximately RMB9.6 million.

Our net current assets increased from approximately RMB152.7 million as at 31 December 2016 to approximately RMB190.9 million as at 31 May 2017. The increase was primarily attributable to an increase in cash and cash equivalent of approximately RMB31.3 million which was due to the increased profits generated from our sales of our products.

As at 31 December 2014 and 2015, we had pledged deposits amounting to approximately RMB82,000 and RMB72,000 for our short-term bank borrowings. These have been subsequently discharged in 2016 as we repaid such borrowings. The effective interest rates of the pledged deposits at 31 December 2014 and 2015 were approximately 3.26% and 2.88% per annum, respectively.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories primarily are raw materials, work in progress and finished goods. The following table sets forth a breakdown of our inventories by categories as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Raw materials	371	14,174	16,593
Work in progress	470	–	–
Finished goods	40,942	11,148	14,998
	<u>41,783</u>	<u>25,322</u>	<u>31,591</u>

The value of our inventory was approximately RMB41.8 million, RMB25.3 million and RMB31.6 million, representing approximately 32.9%, 16.2% and 14.4% of our current assets as at 31 December 2014, 2015 and 2016, respectively.

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Due to decrease in purchase close to the end of 2015 as compared with 2014, our inventory decreased by approximately 39.5% from approximately RMB41.8 million as at 31 December 2014 to approximately RMB25.3 million as at 31 December 2015. Our inventory increased by approximately 24.8% from approximately RMB25.3 million at 31 December 2015 to approximately RMB31.6 million as at 31 December 2016 as a result of the preparation of inventories for the sale season of the Chinese New Year in January 2017. We did not experience any write-off of inventories during the Track Record Period.

As at the Latest Practicable Date, approximately RMB31.6 million or 100%, of our inventories as at 31 December 2016 have been subsequently consumed.

Inventory turnover days

The following table sets forth our inventory turnover days during the period indicated:

	For the year ended 31 December		
	2014	2015	2016
Inventory turnover days ⁽¹⁾	87	45	30

Note:

- (1) Inventory turnover days equals the average of the beginning and ending inventory of the relevant period divided by cost of sales for that year and multiplied by 365 days for the years ended 31 December 2014, 2015 and 2016.

Our inventory turnover days decreased from approximately 87 days for the year ended 31 December 2014 to approximately 45 days for the year ended 31 December 2015 was primarily due to the decrease in purchase in late 2015 as compared with late 2014. Our inventory turnover days further decreased from approximately 45 days for the year ended 31 December 2015 to approximately 30 days for the year ended 31 December 2016 primarily due to our Group was able to maintain lower inventory level as compared with the growth in sales.

Ageing analysis of inventories

The following table sets forth an ageing analysis of our inventory as at 31 December 2016:

	As at 31 December 2016
	RMB'000
Within 30 days	21,849
31-60 days	2,007
61-90 days	217
91-180 days	7,518
Over 180 days	—
	31,591

FINANCIAL INFORMATION

Trade and Other Receivables

Trade receivables

Our trade receivables consist primarily of receivables from our customers. The following table sets forth our trade receivables as at the indicated dates:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade receivables	48,869	51,421	74,533
Less: allowance for doubtful debt.	(301)	(110)	–
	48,568	51,311	74,533

The increase of trade receivables from approximately RMB48.6 million as at 31 December 2014 to approximately RMB51.4 million as at 31 December 2015 was mainly attributable to increase in the sales in December 2015 as compared with December 2014. The trade receivables increased from approximately RMB51.3 million as at 31 December 2015 to approximately RMB74.5 million as at 31 December 2016 primarily due to more sales was achieved in December 2016 as compared with December 2015.

We generally grant credit terms of 30 days to 90 days to our customers. The table below sets forth the ageing analysis of our trade receivables (net of impairments) as at 31 December 2014, 2015 and 2016:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
0-30 days	40,266	36,714	48,282
31-60 days	7,737	14,351	24,488
61-90 days	565	246	1,763
	48,568	51,311	74,533

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The table below sets forth the amounts of trade receivables that were neither past due nor impaired and amounts of trade receivables that were past due but not impaired as at 31 December 2014, 2015 and 2016:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	48,484	51,129	74,490
Past due for less than 3 months	84	182	43
	48,568	51,311	74,533

The trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with us. Based on past experience, we believe no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality of these customers and the balances are still considered fully recoverable. We do not hold any collateral or other credit enhancements over these balances.

The following table sets forth our trade receivables turnover days for the years indicated:

	Year ended 31 December		
	2014	2015	2016
Trade receivables turnover days ⁽¹⁾	52	45	45

Note:

1. Trade receivables turnover days equal to the average of the beginning and ending trade receivables balances of the relevant period divided by revenue (inclusive of VAT) for such period and multiplied by 365 days for the years ended 31 December 2014, 2015 and 2016.

Our trade receivables turnover days were approximately 52 days, 45 days and 45 days for the years ended 31 December 2014, 2015 and 2016, respectively, and the debtor turnover days for the year ended 31 December 2014 was higher as a result of the increase in sales of our algae and fungi near the end of 2014.

As at the Latest Practicable Date, approximately RMB74.5 million or 100% of our trade receivables as at 31 December 2016 have been subsequently settled. During the Track Record Period, total bad debts written off amounted to RMB110,000, representing 0.1% of our total trade receivables as at 31 December 2016. Having considered the historical recoverability of our trade receivables while the turnover days of our trade receivables were within the credit term generally offered to our customers, the liquidity and cash flows were not negatively impacted by the overall increase in the trade receivables and the fluctuations on the turnover days of trade receivables.

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Deposits, prepayments and other receivables

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Deposits paid to suppliers	4,000	4,000	–
Valued-added tax receivables	238	1,668	240
Other deposit and receivables.	289	157	261
Amount due from a related party	36	36	234
Prepayments	420	131	2,864
Prepaid lease payments	50	50	50
	5,033	6,042	3,649

Our deposits, prepayments and other receivables primarily consist of (i) deposits paid to our fishermen suppliers as earnest money during the first time co-operation with these suppliers; (ii) VAT receivables; (iii) other deposit and receivables representing rental receivables and deposit paid; (iv) prepayments for the lease; and (v) prepaid listing expenses.

Our deposits, prepayments, and other receivables were approximately RMB5.0 million, RMB6.0 million and RMB3.6 million as at 31 December 2014, 2015 and 2016, respectively.

Our deposits paid to suppliers, representing the earnest money paid to the fishermen suppliers, were approximately RMB4.0 million, RMB4.0 million and nil as at 31 December 2014, 2015 and 2016, respectively, as they were refunded to us in June 2016.

Our VAT receivables were approximately RMB0.2 million, RMB1.7 million and RMB0.2 million as at 31 December 2014, 2015 and 2016, respectively, which represented the net balance of the input VAT generated from our purchases and the output VAT incurred on our sales.

Trade and Other Payables

Our trade payables consist primarily of payables to suppliers for raw materials and packaging materials and sub-contractors. The following table sets forth our trade payables as at the indicated dates:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade payables	47,043	39,483	39,715

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Our trade payables as at 31 December 2014, 2015 and 2016 were approximately RMB47.0 million, RMB39.5 million and RMB39.7 million, respectively. The decrease of trade payables as at 31 December 2015 compared to 31 December 2014 was due to a decrease in the purchase near the end of 2015; whereas the trade payables balance as at 31 December 2016 remained stable as compared to 31 December 2015.

Our trade payables are generally non-interest-bearing and settled within 30 days of our suppliers' delivery of the products to us.

The table below sets forth the ageing analysis of the trade payables as at 31 December 2014, 2015 and 2016:

Trade payable	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
0-30 days	47,043	39,477	39,715
31-60 days	—	6	—
	47,043	39,483	39,715

The following table sets forth our trade payables turnover days for the years indicated:

	Year ended 31 December		
	2014	2015	2016
Trade payables turnover days ⁽¹⁾	55	57	38

Note:

- Trade payables turnover days equal to the average of the beginning and the ending trade payables of the relevant period divided by purchases and sub-contracting fees (inclusive of VAT) of such period and multiplied by 365 days for the years ended 31 December 2014, 2015 and 2016.

The trade payables turnover days were approximately 55 days, 57 days and 38 days for the years ended 31 December 2014, 2015 and 2016, respectively. The increase in the trade payables turnover days as at 31 December 2014 was mainly due to the increase in purchase of raw materials for our algae and fungi in late 2014 to cater to the increase in purchase order from customers for delivery in the first quarter of 2015. Our trade payable turnover days decreased to approximately 38 days as at 31 December 2016 primarily due to accelerated settlement of trade payables during the period.

As at the Latest Practicable Date, approximately RMB39.7 million or 100.0% of trade payables as at 31 December 2016 have been subsequently settled.

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Accruals, Deposits Received and Other Payables

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Amounts due to shareholders	–	–	18,194
Accrued wages and staff benefits	765	945	1,332
Other payables and accrual	353	397	849
Other tax payables and tax surcharges	14	30	30
	<u>1,132</u>	<u>1,372</u>	<u>20,405</u>

Accruals, deposits received and other payables primarily consists of amounts due to shareholders, accrued wages and staff benefits, other payables and accrual, and other tax payables and tax surcharges. The amounts of our accruals, deposits received and other payables were approximately RMB1.1 million, RMB1.4 million and RMB20.4 million as at 31 December 2014, 2015 and 2016, respectively. The increase in accruals, deposits received and other payables as at 31 December 2016 as compared with 31 December 2015 was mainly due to an increase in the amount due to shareholders. As at 31 December 2016, the amount due to shareholders was approximately RMB18.2 million, such balance mainly represents the advances from shareholders for the payment of listing expenses and the consideration for acquisition of Xiamen Wofan as part of the Reorganisation and will be capitalised upon the Reorganisation as detailed in section headed “History, Development and Reorganisation — Reorganisation”.

Retained Profits

We had accumulated losses of approximately RMB0.6 million as at 1 January 2013 primarily due to the significant selling and marketing expenses incurred before 2013 for building brand awareness. As part of our Group’s strategy at that time, we have been focusing on brand building and expansion of our sales and promotion team and therefore a large portion of our operating profits for the years ended before 2013 have been utilised for marketing and promotion activities, including but not limited to television commercials and promotion booklets. It was the major factor for the accumulated losses as at 1 January 2013.

INDEBTEDNESS

As at 31 December 2016, we had no interest-bearing borrowings. All our total interest-bearing borrowings as at 31 December 2014, 2015 and 2016 were repayable on demand or due within one year. As at 31 December 2014, 2015 and 2016, our total interest-bearing borrowings amounted to approximately RMB14.8 million, RMB9.6 million and nil, respectively. Our total interest-bearing borrowings comprised secured bank borrowings and a secured other borrowing. All of our interest-bearing borrowings were denominated in Renminbi.

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As at 31 December 2014, total banking facilities available to our Group amounted to RMB15.7 million. Such banking facilities were utilised to the extent of approximately RMB14.8 million and were secured by:

- i) corporate guarantees provided by Xiamen Guarantees, which was counter guaranteed by a) personal guarantees provided by Mr. Liu and the close family members of Mr. Liu without any charges; b) a corporate guarantee provided by a company, which was controlled by the Mr. Liu's spouse without any charges; c) a legal charge over a property held by Mr. Liu's spouse, which amounted to RMB2.8 million; and d) a legal charge over a property held by the close family members of the Controlling Shareholder, which amounted to RMB4.8 million;
- ii) pledged deposit of RMB82,000;
- iii) a corporate guarantee provided by a company, which was controlled by Mr. Liu's spouse without any charges;
- iv) personal guarantees provided by Mr. Liu and the close family members of Mr. Liu without any charges;
- v) a legal charge over a property held by Mr. Liu, which amounted to approximately RMB1.2 million; and
- vi) a legal charge over a property held by a company, which was controlled by Mr. Liu's spouse, which amounted to approximately RMB4.2 million.

As at 31 December 2015, total banking facilities available to our Group amounted to approximately RMB11.2 million. Such banking facilities were utilised to the extent of approximately RMB9.6 million and were secured by:

- i) corporate guarantee provided by Xiamen Guarantees, which was counter guaranteed by a) personal guarantees provided by Mr. Liu and the close family members of the Controlling Shareholder without any charges; and b) a corporate guarantee provided by a company, which was controlled by Mr. Liu's spouse without any charges;
- ii) pledged deposit of RMB72,000;
- iii) a corporate guarantee provided by a company, which was controlled by Mr. Liu's spouse without any charges;
- iv) personal guarantees provided by Mr. Liu and the close family members of Mr. Liu without any charges;
- v) a legal charge over a property held by Mr. Liu, which amounted to approximately RMB1.2 million; and
- vi) a legal charge over a property held by a company, which was controlled by Mr. Liu's spouse, which amounted to approximately RMB4.2 million.

On 4 May 2016, all bank borrowings were settled and all banking facilities were released.

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Save as aforesaid or as otherwise disclosed herein, we did not have any outstanding loan capital issued and outstanding, and authorised or otherwise created but unissued, terms loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptable credits, finance lease commitments, guaranteed, unguaranteed, secured (whether the security is provided by our Group or by third parties) or unsecured, borrowings and debt, mortgages, charges, guarantees or other material contingent liabilities at the close of business on 31 December 2016.

As at the Latest Practicable Date, our Group had no unutilised banking facilities and borrowings.

CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016, we did not have any material contingent liabilities.

Our Directors confirmed that there was no material adverse change in our Group's indebtedness and contingent liabilities since 31 December 2016, being the latest practicable date for determining our Group's indebtedness.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2016, being the date of our most recent financial statements, we have not entered any off-balance sheet arrangements.

CAPITAL EXPENDITURES

We did not have significant capital expenditures during the Track Record Period. Our capital expenditure for the years ended 31 December 2014, 2015 and 2016 amounted to approximately RMB0.1 million, RMB31,000 and nil, respectively, comprising mainly expenditures for purchase of motor vehicles, furniture and equipment and plant and machinery.

OTHER KEY FINANCIAL RATIOS

	As at/Year ended 31 December		
	2014	2015	2016
Current ratio ⁽¹⁾	1.9	2.8	3.3
Quick ratio ⁽²⁾	1.3	2.3	2.8
Gearing ratio ⁽³⁾	23.2%	9.5%	nil
Net debt to equity ratio ⁽⁴⁾	net cash	net cash	net cash
Interest coverage ⁽⁵⁾	28.2	74.2	391.0
Return on assets ⁽⁶⁾	20.1%	35.6%	27.5%
Return on equity ⁽⁷⁾	40.6%	55.3%	39.3%
Net profit margin ⁽⁸⁾	12.9%	15.2%	13.1%

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Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.
2. Quick ratio is calculated based on the total current assets less inventories divided by the total current liabilities as at the respective year end.
3. Gearing ratio is calculated based on the total debt divided by the total equity as at the respective year end and multiplied by 100%.
4. Net debt to equity ratio is calculated by the net debt (total debt net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.
5. Interest coverage is calculated by the profit before interest and tax divided by interest expense for the year.
6. Return on assets is calculated by the profit and total comprehensive income for the year divided by the total assets as at the respective year end and multiplied by 100%.
7. Return on equity is calculated by the profit and total comprehensive income for the year divided by the total equity as at the respective year end and multiplied by 100%.
8. Net profit margin is calculated by the profit and total comprehensive income divided by the revenue for the respective year and multiplied by 100%.

Current Ratio and Quick Ratio

Our current ratio as at 31 December 2014, 2015 and 2016 was approximately 1.9, 2.8 and 3.3, respectively. Our quick ratio as at 31 December 2014, 2015 and 2016 were approximately 1.3, 2.3 and 2.8, respectively. The increases in current ratio and quick ratio were mainly due to the continuous cash accumulated from operations throughout the Track Record Period.

Gearing Ratio

Our gearing ratio as at 31 December 2014, 2015 and 2016 were approximately 23.2%, 9.5% and nil, respectively. The decrease in gearing ratio during the Track Record Period was mainly due to the accumulation of net profit generated throughout the Track Record Period while the debt level was reduced.

Net Debt to Equity Ratio

We maintained net cash position as at 31 December 2014, 2015 and 2016. Such position was mainly brought by the accumulation of net profit and positive operating cash flows generated throughout the Track Record Period.

Interest Coverage Ratio

Our interest coverage ratio was approximately 28.2 times, 74.2 times and 391.0 times for the years ended 31 December 2014, 2015 and 2016, respectively. Our interest coverage maintained at high level throughout the Track Record Period as a result of the low level of debt maintained by our Group while a significant increase for the year ended 31 December 2015 and the year ended 31 December 2016 was mainly due to the significant increase in profit before interest and tax and the decrease in finance costs as a result of the repayment of bank loans.

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Return on Assets

Our return on total assets ratio for the year ended 31 December 2014 was approximately 20.1%, which was a result of the growth in net profit corresponded to moderate increase in amount of total assets (mainly comprised inventories and trade receivables). Our return on assets ratio for the year ended 31 December 2015 was approximately 35.6%, which was mainly due to significant growth in net profit while the total assets with a larger base increased by a lesser extent. Our return on assets ratio for the year ended 31 December 2016 decreased to approximately 27.5%, which was mainly due to decrease in net profit margin as a result of the listing expenses incurred.

Return on Equity

Our return on equity ratio for the year ended 31 December 2014 was approximately 40.6% and increased to approximately 55.3% for the year ended 31 December 2015 which was mainly due to the increase in net profit in 2015 while total equity increased by a lesser extent due to dividends paid in 2015. Our return on equity ratio for the year ended 31 December 2016 decreased to approximately 39.3%, which was mainly due to decrease in net profit margin as a result of the listing expenses incurred.

Net Profit Margin

Our net profit margin increased in the year ended 31 December 2015. It was mainly due to the increase in gross profit margin and the decrease in bank borrowings and corresponding interest expense in 2015. The decrease in net profit margin for the year ended 31 December 2016 was mainly due to the listing expenses incurred.

COMMITMENTS

Operating Lease Commitments

Our Group as lessee

As at 31 December 2014, 2015 and 2016, our Group leases a factory under operating lease arrangement. The lease runs for an initial period of one year and is non-cancellable. The following table sets forth the total future minimum lease payments under the lease are due:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Rented premises:			
– Within one year	445	217	424
– In the second to fifth year, inclusive.	200	200	107
– After five years.	83	33	–
	<u>728</u>	<u>450</u>	<u>531</u>

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Our Group as lessor

During the three years ended 31 December 2014, 2015 and 2016, rental income received was approximately RMB60,000, RMB60,000 and RMB58,000, respectively. The following table sets forth our future minimum lease payments:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Rented premises:			
– Within one year	60	60	54
– In the second to fifth year, inclusive	240	240	197
– After five years	95	35	–
	<u>395</u>	<u>335</u>	<u>251</u>

DIVIDENDS

During the year ended 31 December 2015, a member of our Group declared and paid dividends of RMB20.0 million representing approximately 35.8% of the year's net profit attributable to our Shareholders. No dividend was declared by any members of our Group for the years ended 31 December 2014 and 2016.

Our Board has absolute discretion as to whether to recommend any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law, and our Articles which, other than payment of interim dividends by our Board, requires also the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we leased motor vehicle and leased property from our related parties. For the years ended 31 December 2014 and 2015, the lease of motor vehicle from Mr. Liu amounted to approximately RMB4,000 and nil, respectively. The leasing of motor vehicle was discontinued during the year ended 31 December 2015.

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For the years ended 31 December 2014, 2015 and 2016, we leased a property from Xiamen Yehong, a company controlled by our Director's related parties, amounted to approximately RMB36,000, RMB36,000 and RMB128,000, respectively. We will continue to lease the property from the related party, as such, the said lease will constitute a continuing connected transaction under the Listing Rules upon Listing. For details, please refer to the section headed "Connected Transactions" in this prospectus.

During the Track Record Period, we had an amount due from a Director and amount due to related party. Our amount due from a Director, Mr. Liu, is non-trade nature and the balance was unsecured, interest-free and repayable on demand. As at 31 December 2016, the amount due to a Director was fully settled. Our amount due to a related party represents the rental deposit paid in relation to the lease of the property by our Group.

With respect to the related party transactions set out in note 31 to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted at arm's length and on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectation for our future performance.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$0.715 (being the mid-point of the indicative range of the Offer Price between HK\$0.59 and HK\$0.84), the estimated total expenses in connection with the Listing (including the underwriting commission) is approximately RMB37.2 million.

Of such amount, approximately RMB15.6 million is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity. The remaining amount of approximately RMB21.6 million has been or is to be charged to the consolidated statements of profit or loss and other comprehensive income, of which (i) approximately RMB0.1 million and RMB9.0 million was recognised for the year ended 31 December 2015 and 2016, respectively, representing approximately 0.2% and 14.7% of our Group's profit for the year ended 31 December 2015 and 2016, respectively, (according to our audited financial statement as set out in Appendix I to this prospectus); and (ii) approximately RMB12.5 million is expected to be charged upon the Listing (according to our current estimation).

The estimated listing expenses are the latest best estimate and are for reference only.

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DISTRIBUTABLE RESERVES

We had no distributable reserves available for distribution to our Shareholders as at 31 December 2016.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Interest rate risk

We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits. We do not have an interest rate hedging policy. However, our Directors monitor our interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Our interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates expose our Group to cash flow interest rate risk and fair value interest rate risk. All of the bank borrowings of our Group and our Company as at 31 December 2014 and 2015 bore interest at floating rates. The interest rate and repayment terms of the borrowings at the end of the financial year are disclosed in note 26 in the Accountants' Report as set out in Appendix I to this prospectus.

Credit risk

Credit risk arises from trade and other receivables, amounts due from holding company and related companies, and cash at bank.

Liquidity risk

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents, as determined by our Directors to be adequate to finance our operations and to mitigate the effects of unexpected fluctuations in cash flows at our Group.

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The following tables set forth details of our remaining contractual maturity for our non-derivative financial liabilities based on the agreed repayment dates, and has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which we are required to pay.

	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand
	RMB'000	RMB'000	RMB'000
As at 31 December 2014			
Trade payables	47,043	47,043	47,043
Other payables and accruals	1,118	1,118	1,118
Amount due to a director	300	300	300
Interest-bearing borrowings	14,821	16,668	16,668
	<u>63,282</u>	<u>65,129</u>	<u>65,129</u>

	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand
	RMB'000	RMB'000	RMB'000
As at 31 December 2015			
Trade payables	39,483	39,483	39,483
Other payables and accruals	1,342	1,342	1,342
Interest-bearing borrowings	9,625	10,567	10,567
	<u>50,450</u>	<u>51,392</u>	<u>51,392</u>

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	RMB'000	RMB'000	RMB'000
As at 31 December 2016			
Trade payables	39,715	39,715	39,715
Accrued, deposit received and other payables	20,375	20,375	20,375
	<u>60,090</u>	<u>60,090</u>	<u>60,090</u>

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about the effect of the Global Offering on the consolidated net tangible assets of our Group as at 31 December 2016 as if the Global Offering had taken place on 31 December 2016. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of our Group had the Global Offering been completed on 31 December 2016 or at any future dates.

	Audited consolidated net tangible assets of our Group as at 31 December 2016	Estimated net proceeds from the issue of New Shares pursuant to the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on Offer Price of					
HK\$0.59 per Offer Share . . .	<u>155,586</u>	<u>105,612</u>	<u>261,198</u>	<u>0.26</u>	<u>0.30</u>
Based on Offer Price of					
HK\$0.84 per Offer Share . . .	<u>155,586</u>	<u>156,972</u>	<u>312,558</u>	<u>0.31</u>	<u>0.36</u>

Notes:

- The audited consolidated net tangible assets of our Group as at 31 December 2016 is extracted from the Accountant’s Report as set out in Appendix I to this prospectus, which is the audited consolidated equity.
- The estimated net proceeds from the issue of Shares pursuant to the Global Offering are based on our Group issuing and offering 250,000,000 Shares at the Offer Price range, respectively, after deduction of the underwriting fees and related other expenses (excluding listing related expenses of approximately RMB11,787,000 already recognised in profit or loss prior to 31 December 2016) payable by our Group. The estimated net proceeds are converted into RMB at an exchange rate of HK\$1.00 to RMB0.8742, the exchange rate set by the People’s Bank of China for foreign exchange transactions prevailing at 21 June 2017. No representation is made that the HK\$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all. No account has been taken of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Global Offering as set out in the section headed “Share Capital” in this prospectus had the Global Offering been completed on 31 December 2016, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

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4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8742, the exchange rate set by the People's Bank of China for foreign exchange transactions prevailing at 21 June 2017. No representation is made that the HK\$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2016.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

After performing due diligence which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, save as disclosed in the paragraph headed "Listing Expenses" in this section, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2016, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since 31 December 2016 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

Our Directors have also confirmed that there has not been any material change in our indebtedness and contingent liabilities since 31 December 2016 and up to the Latest Practicable Date.

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BUSINESS OBJECTIVES AND STRATEGIES

Our business objective is to continue to strengthen our position and expand our presence in the seafood and algae industries in the PRC. We intend to leverage on our product quality, stable product supply, sales and promotion capabilities and strong brand recognition to capture growth opportunities in these highly fragmented markets. To achieve our objective, we plan to (i) enhance our existing customer relationships in existing and new markets; (ii) enhance our packaging capabilities to address customer demands and improve quality control; (iii) further diversify and increase our sales and promotion efforts; and (iv) source, package and market New Product Types and Enhanced Products that cater to changing consumer preferences. Please refer to the section headed “Business — Business Strategies” in this prospectus for further information.

FUTURE PLANS

In order to achieve the aforementioned strategies, we set forth below our implementation plans for the period from the Latest Practicable Date up to 31 December 2019. Investors should note that the implementation plan is based on the current macroeconomic conditions and certain assumptions. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, including the risk factors set forth in the section headed “Risk Factors” in this prospectus. Our actual course of business may vary from our business strategies set out in this prospectus. There is no assurance that our plans will materialise within our expected time frame, that our strategies will be successful or that our objective will be accomplished. While the actual course of events may be subject to unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate and react proactively to new situations and maintain flexibility when implementing the following plans.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$0.715 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.59 to HK\$0.84 per Offer Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$136.3 million (equivalent to approximately RMB119.1 million). Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately 36.3%, or HK\$49.5 million, will be used to enhance our market access and deepen our penetration of Northern China and Central Western China, of which:
 - approximately 18.6%, or HK\$25.3 million, will be used to establish our Tianjin and Chengdu logistic centres (including acquisition costs for cold storage facilities, cold chain vehicles and an enterprise resource planning system);

FUTURE PLANS AND USE OF PROCEEDS

- approximately 7.0%, or HK\$9.5 million, will be used to hire staff for the logistic centres and promoters to service these regions;
- approximately 6.3%, or HK\$8.6 million, will be used for sales and promotion to support sales growth in Northern China and Central Western China (including television advertising, engaging marketing consultants and participating in exhibitions); and
- approximately 4.4%, or HK\$6.1 million, will be used for maintenance costs (including rent for our warehouses, electricity expenses and operating costs for cold chain vehicles).
- approximately 29.1%, or HK\$39.6 million, will be used to acquire new packaging equipment and establish the quality control and testing centre, of which:
 - approximately 12.6%, or HK\$17.2 million, will be used to acquire new dried seafood packaging equipment and storage facilities. Please refer to the section headed “Business — Packaging — Acquisition of Additional Packaging Facilities and Equipment” in this prospectus for further details;
 - approximately 9.2%, or HK\$12.6 million, will be used to acquire new algae packaging equipment and storage facilities. Please refer to the section headed “Business — Packaging — Acquisition of Additional Packaging Facilities and Equipment” in this prospectus for further details; and
 - approximately 7.3%, or HK\$9.8 million, will be used to establish the quality control and testing centre, which includes the acquisition of product testing and quality control equipment.
- approximately 24.6%, or HK\$33.6 million, will be used to diversify and increase our sales and promotion efforts, of which:
 - approximately 9.4%, or HK\$12.9 million, will be used to expand other sales and promotion channels (including increasing our in-store or near-store advertisements, engaging marketing consultants and re-designing our products) mainly in Southern China;
 - approximately 9.3%, or HK\$12.6 million, will be used to establish and operate our own stores via e-commerce platforms on both mobile and desktop devices; and
 - approximately 5.9%, or HK\$8.1 million, will be used to hire promoters to service our market coverage in Southern China.
- approximately 10.0%, or HK\$13.6 million, for working capital and other general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets out our implementation plan for the period from the Latest Practicable Date up to 31 December 2019:

Use of Proceeds	From the Latest Practicable Date to 31 December 2017	From 1 January to 30 June 2018	From 1 July to 31 December 2018	From 1 January to 30 June 2019	From 1 July to 31 December 2019	Total	Approximate percentage (%)
	(HK\$ million)						
Enhance our market access and deepen our penetration of Northern China and Central Western China	29.3	6.3	6.4	6.5	1.0	49.5	36.3
Acquire new packaging equipment and establish the quality control and testing centre	22.5	–	17.1	–	–	39.6	29.1
Diversify and increase our sales and promotion efforts	5.3	7.4	7.9	7.9	5.1	33.6	24.6
General working capital	6.8	6.8	–	–	–	13.6	10.0
	<u>63.9</u>	<u>20.5</u>	<u>31.4</u>	<u>14.4</u>	<u>6.1</u>	<u>136.3</u>	<u>100.0</u>

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.84 per Share, the net proceeds we receive from the Global Offering will increase to approximately HK\$165.6 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.59 per Offer Share, the net proceeds we receive from the Global Offering will decrease to approximately HK\$106.9 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by us, will be approximately (i) HK\$29.6 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.84 per Offer Share; (ii) HK\$25.2 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$0.715 per Offer Share; and (iii) HK\$20.8 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$0.59 per Offer Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong and in the PRC.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR LISTING AND GLOBAL OFFERING

Based on the reasons set out below and elsewhere in this prospectus, we believe that the Listing on the Stock Exchange will increase our competitiveness and enhance our business development, productivity, market share, financial results and business prospects.

Commercial Rationale for the Listing

We believe that the Listing will provide us with the following key benefits, which should facilitate the implementation of our business strategies and expansion of our market share in the highly fragmented dried seafood and algae industries. In the past decade, we have grown from a relatively small corporation into an established corporation with strong revenue and profitability. Our Directors believe that it is commercially sensible and justifiable to expand our business.

Enhancing brand recognition

Over the past decade, we have developed from a small corporation into a well-established group with considerable size and success. Our Directors believe that the Listing will demonstrate and be a testament to our business success. We believe that our end consumers associate a listing on the Main Board of the Stock Exchange with an established business that is committed to a high quality standard for products. We believe the Listing will enhance the public recognition of our brand and enhance our marketing efforts to end consumers and our business dealings with our direct customers and suppliers. We will also receive significant publicity and media attention through our Listing in our local markets and in China.

Strengthening bargaining power

Reputation, financial strength and credibility are the major factors that customers and suppliers will consider when they determine whether and how to work with us. The Listing can increase our credibility and enhance our corporate profile with public investors and our potential business partners. In addition, our Directors believe that the Listing will also strengthen our bargaining power with our suppliers, customers and potential business partners and inspire confidence in the quality of our products and services, financial strength, credibility, and overall transparency in our business operations, corporate governance and financial reporting.

Attracting talented personnel

As we plan to expand our business and modernise our operations, we need to hire additional personnel to execute and implement our expansion plan. We expect to recruit additional employees for business implementation, quality control, sales and promotion, administration, legal and compliance, corporate governance and other functions in the near future. Becoming a listed company would help enhance company profile, boost employee morale and attract talented people. It will also enhance our ability to recruit, motivate and retain key management personnel. The Listing will enable us to offer an equity-based incentive programme with marketable securities (such as a share option scheme) to our management members and employees to better incentivise employee performance. We have adopted the Share Option Scheme which will be effective upon the Listing, the principal terms of which is set forth in the section headed “Statutory and General Information — 8. Share Option Scheme” in Appendix IV to this prospectus. Therefore, we would be better positioned to align the incentives of our employees with

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that of our Shareholders. We believe that with the ability to offer equity-based incentive plans, we can attract more talented employees, retain their services for the long term and improve incentives for our employees.

The Listing will enable us to access the capital markets for future issuances of publicly tradable equity and debt securities. As the scale of our business increases, it becomes crucial to secure additional financing channels to continue to sustain our long-term development. Further, our Directors believe we should be able to secure more favourable terms from our banks based on our profile as a publicly listed company. Therefore, the Listing will allow us to alleviate our reliance on our Controlling Shareholders and increase our flexibility in financing our operations.

Obtaining additional channels and sources of fund

In view of the asset-light nature of our business, we have been largely dependent on the support from our Controlling Shareholders and external funding through bank borrowings. During the Track Record Period, we funded our working capital requirements primarily through operating cash flows, bank borrowings and advances from our Controlling Shareholders. However, the funding available from these sources is limited and relying solely on these sources will hinder our long-term development. In addition, interest rates for bank loans to private companies are generally higher. Most banks expect us to secure our bank loans with guarantees provided by our Controlling Shareholders and their related parties and/or the properties held by them. In light of our limited access to the capital markets, we have adopted a more conservative approach to the development and expansion of our business and generally relied on our operating cash flows and cash reserves to improve our liquidity and execute our expansion strategy.

We believe the Listing will effectively demonstrate to our staff, business partners, customers, end consumers, debt and equity investors and regulators our commitment to corporate governance. Following the Listing, we will be subject to corporate governance requirements set out in the Listing Rules, which may enhance our internal control over financial reporting and corporate governance practices. Our Group can also leverage on the expertise and judgement of our experienced independent non-executive Directors to balance shareholders' interests and enhance our corporate governance.

We believe that the Listing will help strengthen the competitiveness of our Group, improve our financial position, and allow us to more effectively respond to business opportunities. The Listing will differentiate us from our direct competitors, most of whom are still privately owned, and provide an enhanced platform for us to compete with other listed competitors. We believe that the Listing will enhance our brand and our bargaining power with our suppliers, customers and consumers and potential business partners. The Listing will also enable us to implement our development strategies to capture more business opportunities when they arise and to benefit from the industry growth. Therefore, our Directors consider it is commercially attractive to pursue the Listing at this stage of our development.

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Our Capital Requirements and Reasons for the Global Offering

During the start-up stage of our business, we relied largely on external financing because of our lack of internal financial resources. As our operations gradually matured, we increased our use of our operating cash flow rather than rely on external funding. During the years ended 31 December 2014, 2015 and 2016, our total banking facilities and other facilities available amounted to RMB15.7 million, RMB11.2 million and nil, respectively. We will be restricted from expanding further without securing alternative means of financing our business. The Listing will provide more options for us to source capital to implement our expansion plan and business strategies as set out in the section headed “Business — Business Strategies” in this prospectus.

Enhance our market access and deepen our penetration of Northern China and Central Western China

We will enhance our market access and deepen our penetration of Northern China and Central Western China by expanding our product coverage. Approximately 36.3% of the net proceeds from the Global Offering, or HK\$49.5 million (based on an Offer Price of HK\$0.715 per Offer Share and assuming the Over-allotment Option is not exercised), will be used to expand our geographical coverage of our products. The total cost for establishing the new logistics centres in these regions required to enhance our competitiveness is estimated to be approximately RMB22.0 million (equivalent to HK\$25.3 million), which includes the cost for acquiring the cold storage facilities, cold chain vehicles and an enterprise resources planning system. We intend to use the proceeds from the Global Offering to fund the establishment costs of the new logistics centres.

During the Track Record Period, the majority of our customers were located in Eastern and Southern China, such as Fujian and Guangdong Provinces, accounting for approximately 75% of our total number of customers in 2016. We also developed a sales and promotion network in Northern China and Central Western China, and in particular, Beijing, Tianjin, Chongqing and Sichuan Province, to better serve our customers with network in the region. These customers accounted for approximately 25% of our total number of customers for the year ended 31 December 2016. We expect to strengthen our presence by (i) introducing our products to stores for our existing customers in these regions, and (ii) developing new customers.

Our business expansion in Northern China and Central Western China is largely driven by growing demand from our existing customers, particularly supermarket chain customers. For example, some of our main supermarket chain customers have a large number of stores in Northern China and Central Western China and have expressed varying degrees of interest in purchasing our products in those stores. We expect to leverage on our relationships with these existing customers to enhance our sales in Northern China and Central Western China. In addition, we expect to develop new customers in Northern China and Central Western China by targeting other supermarkets and trading companies. In addition, we anticipate that we will also see increased demand for our products from these regions after we establish our stores through e-commerce platforms on both mobile and desktop devices.

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High logistics costs have limited our ability to expand in Northern China and Central Western China in the past. We intend to expand our business in these regions by establishing our own logistics capabilities, which will allow us to significantly reduce our logistics costs. We plan to set up logistics centres in Tianjin and Chengdu with storage capacities of approximately 2,450 cubic metres each. We selected these locations primarily because:

- Tianjin and Chengdu are in close proximity to a number of our existing customers' store network in Northern China and Central Western China. According to the ASKCI Report, the total spending on dried seafood, algae and seafood snacks in Northern China and Central Western China amounted to RMB18.5 billion, RMB14.1 billion and RMB7.4 billion, representing 44.7%, 40.3% and 46.5% of the total market of these products in 2016, respectively. Our Directors believe that new logistics centres will enable us to more cost effectively and promptly deliver goods to these customers. These new logistics centres will also enable us to acquire new customers in these regions and penetrate the stores of our existing customers in these regions, thereby capturing market share in these areas and making our market coverage more comprehensive in the PRC.
- Tianjin and Chengdu are also strategic expansion points to other important nearby regions with potential new markets. Tianjin is the centre of our Northern China market, which is a transportation hub connecting eight provinces and municipalities in Northern China, including Heilongjiang, Jilin, Liaoning, Beijing, Hebei, Shandong, Shanxi and Henan. Chengdu is the centre of our Central Western China market, which is a transportation hub connecting seven provinces and municipalities in Central Western China, including Hubei, Hunan, Chongqing, Sichuan, Guizhou, Yunnan, Shanxi, Gansu and Ningxia.

We plan to (i) finalise the leasing of the warehouse, and acquire and install the cold storage facilities and the enterprise resource planning system in the warehouse for the new logistic centres by August 2017; (ii) acquire the cold chain vehicles by September 2017; and (iii) put the new logistics centres into operation by October 2017. As at the Latest Practicable Date, we had not yet incurred any expenses nor had we entered into any binding agreement for carrying out this plan. For the details of our decision to acquire cold storage facilities instead of leasing them, please refer to the section headed "Business — Business Strategies — Enhance our existing customer relationships in existing and new markets" in this prospectus.

Acquiring new packaging facilities and equipment and establishing quality control and testing centre

We intend to enhance our packaging capabilities by (i) acquiring a piece of land for construction of our new purpose-built packaging facilities for dried seafood using our internally generated funds and (ii) purchasing certain packaging equipment that meets our stringent quality requirements for packaging and food processing of algae. Please refer to the section headed "Business — Packaging — Acquisition of Additional Packaging Facilities and Equipments" in this prospectus for further details. Approximately 29.1% of the net proceeds from the Global Offering, or HK\$39.6 million (based on an Offer Price of HK\$0.715 per Offer Share and assuming the Over-allotment Option is not exercised), will be used to acquire new packaging equipment for the dried seafood packaging to be put in use in and around 2018, new packaging equipment for algae to be put in use shortly after Listing and to establish the quality control and testing centre, which includes the acquisition of product testing and quality control equipment. We estimate that after netting off the expected decrease in sub-contracting fees (which is based on the differences in sub-contracting costs per unit between packaged and unpackaged dried

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seafood and algae product in our historical purchases) and the increase in depreciation and overheads of the new packaging facilities and equipment, it is expected that cost-savings of approximately RMB1.4 million (due to the new algae packaging equipment and includes the rental payment for the leased premise) and RMB13.5 million (due to the new dried seafood and algae packaging equipment and includes the rental payment for the leased premises) will be generated in 2017 and 2018, respectively.

(i) Dried seafood

Most of our equipment at our packaging facilities were purchased during our start-up stage. Our Directors believe that expanding, upgrading and modernising our current packaging facilities and equipment will not only enhance the quality of our food products but also improve our production efficiency, capacity, stability and flexibility. As we continue to grow, our packaging facilities are beginning to reach their maximum capacity. Over the Track Record Period, our packaging facilities utilisation rate was 52.6%, 97.9% and 106.3% for the years ended 31 December 2014, 2015 and 2016, respectively. With the increase in our customers' demand and our existing packaging facilities reaching their maximum capacity, we have begun to outsource certain packaging processes of dried seafood to sub-contractors. Expanding our packaging facilities will allow us to continue our development and create opportunities to grow our profit margin.

We expect acquiring new packaging facilities and equipment for dried seafood products to have the following benefits:

- **Improving food quality:** Modernising our packaging facilities and equipment can enhance our food quality. In particular, we plan to build a cold storage system to keep our food products under efficient, safe and responsible refrigeration. This can better maintain the freshness of our food products throughout the entire production process from manufacturing to packaging and subsequent sale.
- **Cost saving:** Our existing packaging capacity has been fully utilised. If we do not expand our packaging facilities, we will need to sub-contract the packaging process to other sub-contractor. If the packaging process is also sub-contracted to our sub-contractors, our costs will increase which will result in a decrease in our profit margin.
- **Enhancing efficiency and productivity:** We expect that acquiring and modernising our new packaging equipment can help enhance our packaging capacity. During the Track Record Period, our actual output from our packaging facilities were 5,676,490 packs, 10,570,649 packs and 11,476,144 packs during the financial year ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively. It is expected that our planned output capacity will remain at 10,800,000 packs in 2017 (all of which are to be provided by our existing packaging facilities), and after the acquisition of the new packaging equipment for dried seafood products in 2018, our planned output capacity for our dried seafood and seafood snacks products will reach 24,430,000 packs (of which approximately 44% (i.e. 10,800,000 packs) and approximately 56% (i.e. 13,630,000 packs) are to be provided by our existing packaging facilities and the new packaging facilities for dried seafood, respectively). The expected increase in our planned output capacity in 2018 represents a 113% increase in our packaging capacity compared with our actual output in 2016 from our existing packaging facilities. We are of the view that the projected increase in expected demand of our products justifies the planned increase in

FUTURE PLANS AND USE OF PROCEEDS

dried seafood packaging capacity as we estimate that our overall packaging output for dried seafood and seafood snacks products will reach approximately 7.5 million packs and approximately 6.5 million packs respectively by the end of 2017, and approximately 8.8 million packs and approximately 9.7 million packs respectively by 2018, which represents an approximately 21% and 42% increase (i.e. approximately 1.3 million packs and 2.0 million packs) and 46% and 93% increase (i.e. approximately 2.9 million packs and 4.5 million packs), respectively, compared with the packaging output for the year ended 31 December 2016.

- ***Improved package design:*** The limitations of our existing packaging facilities have constrained our ability to produce packages with more fashionable designs. After acquiring the new packaging equipment, we expect our package designs to more readily adapt to consumer preferences and market trends. As we are selling consumer products, our Directors believe that more contemporary, fashionable and functional designs that cater to our different customers' preferences will enable us to set higher prices for our food products.

We have entered into a letter of intent to acquire a piece of land with an area of 28,753.26 sq.m. located in Xiamen on which we will build a new production facility for our new packaging facilities and equipment for our dried seafood products. We intend to utilise our cash reserves to purchase the land and build the production facility. According to our estimates, the cost of acquiring the land is approximately RMB13.5 million and the cost of acquiring the new production facility is approximately RMB29.0 million. Please refer to the section headed "Business — Packaging — Acquisition of Additional Packaging Facilities and Equipments" in this prospectus for further details.

(ii) Algae

We are planning to acquire packaging equipment for algae so as to enhance product quality. It is expected that our planned output capacity for algae products will reach approximately 2,220,000 packs in 2017 and approximately 4,440,000 packs in 2018, all of which are to be provided by the new packaging equipment for algae to be acquired in 2017. We are of the view that the projected increase in expected demand of our algae products justifies the planned increase in algae packaging capacity as we estimate that our overall packaging output for algae products will reach 6.0 million packs by the end of 2017, and 8.1 million packs by the end of 2018, which represents an approximately 1,148% increase (i.e. approximately 5.5 million packs) and approximately 1,602% increase (i.e. approximately 7.6 million packs), respectively, compared with the packaging output for the year ended 31 December 2016. In case where our packaging capacity for algae cannot satisfy the actual demand, we will outsource the packaging process to other sub-contractors. Specifically, we have reached a firm understanding in the form of letter of intent with a number of our existing sub-contractors who assure us that they will reserve sufficient processing and packaging capacity to meet our increasing demand. We do not foresee any practical difficulties in identifying new sub-contractors given the abundance of sub-contractors with capabilities to offer similar services in the market.

FUTURE PLANS AND USE OF PROCEEDS

Currently, we do not have our own designated packaging facilities for algae. The majority of our algae products was packaged by our sub-contractors, which limits our ability to enhance our product quality and product design. Further, similar to our dried seafood, sub-contracting costs are our variable costs and grow in line with the increase in sales of our algae, leaving limited room for further improving gross margins. With the projected increase in the volume of sales of algae, it would be beneficial to turn the variable costs to fixed costs in order to achieve economies of scale. During the years ended 31 December 2014, 2015 and 2016, total sub-contracting fees paid to our sub-contractors for packaging algae amounted to RMB0.4 million, RMB7.0 million and RMB10.0 million, respectively. If we operate the packaging process for algae in-house by utilising the packaging equipment we intend to acquire and taking into account the rental payment for the leased premise, we expect our sub-contracting fees to decrease by at least 50%.

We will also equip our newly acquired packaging facilities for our algae with a modernised storage system to stabilise temperature, light and humidity at appropriate levels, which can improve the appearance, freshness and shelf life of our algae.

(iii) Establishing the quality control and testing centre

We intend to enhance the overall quality of our food products by establishing a quality control and testing centre which will be located in the new production facilities we plan to build in Xiamen with size of approximately 10,000 sq. m.. The quality control and testing centre will be installed with facilities and special equipment for the purpose of testing the quality of the Group's food products and ensuring the Group is serving safe food supply which meets the applicable international and domestic standard. Our Company plans to acquire a wide range of instrument and equipment, in particular food testing analyzers, which cover food chemistry analysis (such as moisture, fat, protein, pH, salt, minerals, sugar, and contaminants), food microbiology analysis, food nutrition analysis, food allergen analysis, and natural food toxin analysis.

Diversifying and increasing our sales and promotion efforts

Approximately 24.6% of the net proceeds from the Global Offering, or HK\$33.6 million, will be used to diversify and increase our sales and promotion efforts.

We expect to further diversify and increase our sales and promotion efforts in order to increase our market share and coverage. We plan to further penetrate into the sales network of our existing customers, improve customer service and recruit more sales representatives and promoters.

We also intend to establish and operate our own online stores through e-commerce platforms on both mobile and desktop devices to sell our products. We intend to recruit a team of e-commerce and online marketing specialists in or around 2017. Our Directors expect that the capital expenditure for the establishment of our online stores will not be more than RMB0.5 million. According to the ASKCI Report, traditional sales channels accounted for over 90% of the overall seafood market in China, while online sales accounted for less than 10%. Significant growth is expected in online sales. For the years ended 31 December 2014, 2015 and 2016, our overall sales through our customers' e-commerce platforms amounted to RMB4.5 million, RMB12.3 million and RMB16.5 million, respectively, accounting for 2.2%, 3.4% and 3.5% of our total sales during the corresponding periods. Nevertheless, we believe that it is important to proactively engage with our existing and potential customers through this new and developing venue as we continue to keep abreast of our customers' shifting purchasing habits.

FUTURE PLANS AND USE OF PROCEEDS

Apart from raising capital through the Global Offering, the Listing will provide other commercial benefits that will contribute to our future development. Therefore, our Directors consider that the costs incurred for the Listing are justified. Having considered the aforesaid, our Directors consider, and the Sole Sponsor concurs, that it is strategically and commercially justified and in the interests of our Company and our Shareholders as a whole to pursue the Listing and the Global Offering.

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PUBLIC OFFER UNDERWRITERS

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Dongxing Securities (Hong Kong) Company Limited

Wealth Link Securities Limited

Aristo Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the International Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Global Coordinators (on behalf of the Public Offer Underwriters) have the right, in their sole and absolute discretion, to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by giving notice in writing to our Company, if they see fit upon the occurrence of any of the following events:

- (a) there has come to the notice of the Joint Global Coordinators:
 - (i) that any statement contained in any offer documents as defined in the Public Offer Underwriting Agreement (“**Offer Documents**”) including this prospectus and the Application Forms, considered by the Joint Global Coordinators in their sole and absolute opinion to be material, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any forecasts, expressions of opinion, intention or expectation expressed in any Offer Documents and/or the relevant Application Forms are not, in the sole and absolute opinion of the Joint Global Coordinators, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole; or

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- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Joint Global Coordinators to be material to the Global Offering; or
 - (iii) any breach of any of the obligations imposed upon any party (other than the Joint Global Coordinators or any Public Offer Underwriters) to the Public Offer Underwriting Agreement or the International Placing Underwriting Agreement; or
 - (iv) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any member of our Group which is considered by the Joint Global Coordinators in their sole and absolute opinion to be material in the context of the Global Offering; or
 - (v) any breach, considered by the Joint Global Coordinators in their sole and absolute opinion to be material in the context of the Global Offering, of any of the warranties contained in the Public Offer Underwriting Agreement; or
 - (vi) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) our Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or the Global Offering; or
 - (viii) any person (other than the Joint Global Coordinators and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics including SARS and H5N1 and such related or mutated forms or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or matters and/or disaster or monetary or trading settlement system (including without limitation any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New

UNDERWRITING

York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, or a material fluctuation in the exchange rate of Hong Kong dollar against any foreign currency, or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or

- (iii) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in any of Hong Kong, the PRC, the Cayman Islands, or any other jurisdictions relevant to any member of our Group (“**Specific Jurisdictions**”); or
- (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States or by the European Union (or any member thereof) on any of the Specific Jurisdictions; or
- (v) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws or regulations in any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or
- (ix) the chairman or chief executive officer of our Company vacating his office in circumstances where the operations of our Group will be materially and adversely affected; or
- (x) the commencement by any regulatory body of any public action against a Director in his or her capacity as such or an announcement by any regulatory body that it intends to take any such action; or
- (xi) a contravention by any member of our Group of the Companies Ordinance or any of the Listing Rules; or
- (xii) a prohibition on us for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

UNDERWRITING

- (xiv) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the subscription or sale of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xvi) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xvii) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xviii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), New York (imposed at the United States federal or New York state level or otherwise), Japan or the PRC or a material disruption in commercial banking or securities settlement or clearance services in any of the Specific Jurisdictions,

which in each case in the sole and absolute opinion of the Joint Global Coordinators (on behalf of the Public Offer Underwriters):

- (a) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects of our Company or our Group or any member of our Group or on any present or prospective Shareholder in his, her or its capacity as such; or
- (b) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Public Offer or the level of interest under the International Placing; or
- (c) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
- (d) would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

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Undertakings

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders undertakes jointly and severally to each of the Sole Sponsor, the Joint Global Coordinators, our Company and the Public Offer Underwriters that:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date (“**First Lock-up Period**”), except pursuant to the Global Offering, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators and unless pursuant to the Stock Borrowing Agreement between Precisely Unique and the Stabilising Manager or otherwise in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the relevant securities (in respect of which each relevant Controlling Shareholder is shown by this prospectus to be the beneficial owner); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in (a), (b) or (c) above;
- (ii) at any time during the 24 months commencing on the date on which the First Lock-up period expires without the consent of (i) all the independent non-executive Directors of our Company; and (ii) the Sole Sponsor and Joint Global Coordinators, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any relevant securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder of our Company or would together with the other Controlling Shareholders cease to be the controlling shareholders of our Company;
- (iii) in the event of a disposal of any Shares or securities of our Company or any interest therein within 24 months immediately following the expiry of the First Lock-up Period set out in paragraph (i) above, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) he/it shall, and shall procure that its associates and companies controlled by him/it and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

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Each of our Controlling Shareholders further undertakes jointly and severally to each of the Sole Sponsor, the Joint Global Coordinators, our Company, the Public Offer Underwriters that, during the first 36 months from the Listing Date, he/it will:

- (i) when he/it pledges or charges any securities or interests in the relevant securities, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such indications.

Our Company will inform the Stock Exchange as soon as our Company has been informed of the matters above (if any) by our Controlling Shareholders and disclose such matters by way of a public announcement.

Pursuant to the Public Offer Underwriting Agreement, our Company also undertakes to each of the Sole Sponsor, the Joint Global Coordinators and the Public Offer Underwriters, and each of our Controlling Shareholders jointly and severally undertakes to each of the Sole Sponsor, the Joint Global Coordinators and the Public Offer Underwriters to procure that, save with the prior written consent of the Joint Global Coordinators (for and on behalf of the Public Offer Underwriters), or save pursuant to the Global Offering, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or Share options to be granted under the Share Option Scheme, our Company shall not, within the period of six months from the Listing Date:

- (i) save as permitted under the Listing Rules (including Rule 10.08(1) to 10.08(4) of the Listing Rules) and the applicable laws, allot or issue or agree to allot or issue any Shares or any other securities of our Company (including warrants or other convertible securities (and whether or not of a class already listed));
- (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;
- (iii) purchase any securities of our Company; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

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UNDERTAKINGS IN FAVOUR OF THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

(a) By our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

(b) By our Controlling Shareholders

Please refer to the section headed “Relationship with our Controlling Shareholders — Undertakings” for further information on our Controlling Shareholders’ undertakings to our Company and the Stock Exchange as required under Rule 10.07 of the Listing Rules.

The International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Placing Underwriting Agreement with, inter alia, the International Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the International Placing Underwriting Agreement, the International Placing Underwriters will severally agree to subscribe or purchase or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing.

Our Company will grant to the Joint Global Coordinators the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Placing Underwriters at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares representing 15% of the number of Offer Shares initially offered under the Global Offering, at the same price per Share under the International Placing to cover, among other things, over-allocations (if any) in the International Placing.

Commissions and expenses

The Public Offer Underwriters will receive an underwriting commission at the rate of 6% of the aggregate Offer Price payable for the Public Offer Shares, out of which they will pay any sub-underwriting commissions. For unsubscribed Public Offer Shares reallocated to the International Placing, we will pay the underwriting commission attributable to such reallocated Public Offer Shares to the relevant International Placing Underwriters. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, is currently estimated to be approximately RMB37.2 million in aggregate (based on an Offer Price of HK\$0.715 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.59 and HK\$0.84 per Offer Share and the assumption that the Over-allotment Option is not exercised) and is paid or payable by our Company.

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UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters (the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to our Shares, other activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our Shares in most cases.

All these activities may occur both during and after the end of the stabilising period described in the section headed “Structure and Conditions of the Global Offering — Stabilisation and Over-allotment” in this prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITING

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Public Offer as part of the Global Offering. Dongxing Securities is the Sole Sponsor. Dongxing Securities, Wealth Link Securities and Aristo Securities are the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers.

The Global Offering consists of (subject to reallocation and the Over-allotment Option):

- the Public Offer of 25,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the section headed “Structure and Conditions of the Global Offering — The Public Offer” in this prospectus; and
- the International Placing of 225,000,000 Shares (subject to reallocation as mentioned below) outside the United States in reliance on Regulation S of the U.S. Securities Act as described below under the section headed “Structure and Conditions of the Global Offering — The International Placing” in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S of the U.S. Securities Act. The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the International Placing respectively may be subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering — Pricing and Allocation” in this prospectus.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$0.84 per Offer Share and is expected to be not less than HK\$0.59 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.84 per Public Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,393.86 for one board lot of 4,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.84 per Public Offer Share, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed “How to Apply for the Public Offer Shares — 13. Refund of Application Monies” in this prospectus.

Determining the Offer Price

The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Thursday, 6 July 2017.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Thursday, 6 July 2017 and in any event, no later than 12:00 noon on Tuesday, 11 July 2017.

If, for any reason, our Company and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Tuesday, 11 July 2017, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters) consider it appropriate and together with our consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in the South China Morning Post (in English), Hong Kong Economic Journal (in Chinese) and the website of the Hong Kong Stock Exchange at www.hkexnews.hk notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the indicative Offer Price range and/or number of Offer Shares is so reduced.

Allocation

The Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Monday, 17 July 2017 in the South China Morning Post (in English), the Hong Kong Economic Journal (in Chinese) and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or about the Price Determination Date;
- the execution and delivery of the International Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the International Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us in South China Morning Post (in English), Hong Kong Economic Journal (in Chinese) and the website of the Hong Kong Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Public Offer Shares — 13. Refund of Application Monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Monday, 17 July 2017 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 18 July 2017, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for Termination” in this prospectus has not been exercised.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 25,000,000 Shares at the Offer Price, representing 10% of the 250,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the section headed “Structure and Conditions of the Global Offering — Conditions of the Public Offer” in this prospectus.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the International Placing) will be divided equally into two pools, pool A and pool B. All valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 12,500,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Reallocation

The allocation of the Shares between the Public Offer and the International Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 75,000,000, 100,000,000 and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Shares will be allocated to Pool A and Pool B equally.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

If the Public Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Public Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Applications

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the International Placing will be 225,000,000 Shares, representing 90% of the Offer Shares under the Global Offering. The International Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the International Placing, the International Placing Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the U.S. Securities Act. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in section headed "Structure and Conditions of the Global Offering — Pricing and Allocation" in this prospectus and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the International Placing Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Placing Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to issue up to 37,500,000 Shares, representing 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the Global Offering.

STOCK BORROWING AGREEMENT

Dongxing Securities, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from Precisely Unique, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Precisely Unique will only be effected by the Stabilising Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Precisely Unique under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Precisely Unique or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Precisely Unique by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

STABILISATION AND OVER-ALLOTMENT

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Dongxing Securities, as the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by the applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on Dongxing Securities or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of Dongxing Securities and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 37,500,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, regulations, rules in place in Hong Kong on stabilisation and stabilising action permitted in Hong Kong. Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- Dongxing Securities, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which Dongxing Securities, or any person acting for it, will maintain such a position;
- liquidation of any such long position by Dongxing Securities may have an adverse impact on the market price of the Shares;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the last business day immediately before the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, Dongxing Securities may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, Dongxing Securities may borrow up to 37,500,000 Shares from Precisely Unique, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 18 July 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 18 July 2017. The Shares will be traded in board lots of 4,000 Shares. The stock code of the Company is 1676.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Thursday, 6 July 2017 from:

- (i) any of the following offices of the Public Offer Underwriters:

Dongxing Securities (Hong Kong) Company Limited

6805-6806A
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Wealth Link Securities Limited

Unit B1, 5/F, Guangdong Investment Tower
148 Connaught Road, Central
Hong Kong

Aristo Securities Limited

Room 101, 1st Floor, On Hong Commercial Building
145 Hennessy Road, Wanchai
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(ii) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Central District Sub-Branch	G/F., Far East Consortium Building, 125A Des Voeux Road C., Central
	Chai Wan Sub-Branch	G/F., 121-121A Wan Tsui Road, Chai Wan Cinema Building, Chai Wan
Kowloon	Shamshuipo Sub-Branch	Shop G1-G3, G11-G13, G19-G21, G/F., Golden Centre, 94 Yen Chow Street, Sham Shui Po
New Territories	Tseung Kwan O Sub-Branch	Shop Nos. 252A, 252B & 253 on Level 2, Metro City Phase I, Tseung Kwan O
	Yuen Long Sub-Branch	Shop 2B, G/F., Man Yu Building, 2-14 Tai Fung Street, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Thursday, 6 July 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — China Shenghai Food Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 30 June 2017	– 9:00 a.m. to 5:00 p.m.
Monday, 3 July 2017	– 9:00 a.m. to 5:00 p.m.
Tuesday, 4 July 2017	– 9:00 a.m. to 5:00 p.m.
Wednesday, 5 July 2017	– 9:00 a.m. to 5:00 p.m.
Thursday, 6 July 2017	– 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 6 July 2017, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" of this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can Apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** service at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 30 June 2017 until 11:30 a.m. on Thursday, 6 July 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 6 July 2017 or such later time under the paragraph headed “10. Effects of Bad Weather on the Opening of the Application Lists” of this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 30 June 2017	– 9:00 a.m. to 8:30 p.m.⁽¹⁾
Monday, 3 July 2017	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 4 July 2017	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 5 July 2017	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 6 July 2017	– 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Thursday, 6 July 2017 (24 hours daily, except the last application day).

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The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 6 July 2017, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” of this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 6 July 2017.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure and Conditions of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 6 July 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 6 July 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 17 July 2017 in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and on our Company’s website at www.xmwofan.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.xmwofan.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 17 July 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 17 July 2017 to 12:00 midnight on Friday, 21 July 2017 on a Business Day;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 17 July 2017 to Thursday, 20 July 2017; and
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 17 July 2017 to Wednesday, 19 July 2017 at all the receiving bank's designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.84 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section headed “Structure and Conditions of the Global Offering — Conditions of the Public Offer” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 17 July 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 17 July 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 18 July 2017 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

*(i) If you apply using a **WHITE** Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 17 July 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 17 July 2017, by ordinary post and at your own risk.

*(ii) If you apply using a **YELLOW** Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 17 July 2017, by ordinary post and at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 17 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- If you apply as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of Results" of this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 17 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

*(iii) If you apply through the **HK eIPO White Form** service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 17 July 2017, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 17 July 2017 by ordinary post at your own risk.

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If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 17 July 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "11. Publication of Results" of this section on Monday, 17 July 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 17 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 17 July 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 17 July 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report, prepared for the purpose of inclusion in this prospectus received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.



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The Directors
China Shenghai Food Holdings Company Limited

Dongxing Securities (Hong Kong) Company Limited

30 June 2017

Dear Sirs,

We set out below our report on the financial information regarding China Shenghai Food Holdings Company Limited (formerly known as Oceania Green Food Holdings Company Limited and Oceania Food (China) Holdings Company Limited) (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”), including the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2014, 2015 and 2016 (the “**Relevant Periods**”) and the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016, together with a summary of significant accounting policies and other explanatory notes (the “**Financial Information**”), for inclusion in the prospectus of the Company dated 30 June 2017 (the “**Prospectus**”) in connection with the initial listing (the “**Listing**”) of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company was incorporated in the Cayman Islands on 8 January 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands (the “**Cayman Islands Companies Law**”). Pursuant to a group reorganisation (the “**Group Reorganisation**”) as set out in note 2 of Section II below, the Company has become the holding company of the companies now comprising the Group on 27 April 2016. The Company has not carried on any business since the date of its incorporation saved for the aforementioned Group Reorganisation. The principal activities of the Group are packaging and sale of seafood products.

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name of subsidiary [#]	Date of incorporation/ establishment	Place of incorporation/ establishment and operation	Attributable equity interest of the Group			At date of this report	Issued and fully paid share capital/ registered capital	Principal activities
			At 31 December					
			2014	2015	2016			
<i>Interests held directly</i>								
Billion Bond Holdings Limited ("Billion Bond")	28 August 2015	British Virgin Islands	-	-	100%	100%	United States Dollar 1	Investment holding
<i>Interests held indirectly</i>								
New Lead Worldwide Limited ("New Lead")	3 December 2015	Hong Kong	-	-	100%	100%	Hong Kong Dollar 1	Investment holding
Xiamen Wofan Foodstuff Company Limited ("Xiamen Wofan") (廈門沃豐食品有限公司)*	1 July 2005	The People's Republic of China (the "PRC")	100%	100%	100%	100%	Renminbi ("RMB") 5,800,000	Packaging and sale of seafood products
Fujian Wofan Foodstuff Company Limited ("Fujian Wofan") (福建省沃豐食品有限公司)^	4 November 2014	The PRC	100%	100%	100%	100%	RMB10,000,000	Packaging and sale of seafood products

[#] The English names of all subsidiaries established in the PRC are translated for identification purpose only.

^{*} The entity is established in the PRC in the form of domestic limited liability company. Pursuant to the Group Reorganisation, the entity became a sino-foreign investment joint venture limited company on 10 February 2015 and then became a wholly foreign-owned enterprise on 14 April 2016.

[^] The entity is established in the PRC in the form of domestic limited liability company.

All companies now comprising the Group have adopted 31 December as their financial year end date.

As at the date of this report, no audited financial statements have been prepared for the Company and Billion Bond as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The statutory financial statement of New Lead for the year ended 31 December 2016 was prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by HKICPA and were audited by BDO Limited, certified public accountants.

The statutory financial statements of Xiamen Wofan for the year ended 31 December 2014, 2015 and 2016 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Xiamen Bo Yu Joint Accounting Firms (General Partnership) (廈門柏譽聯合會計師事務所(普通合伙)), Fujian Baihong Associated Certificated Public Accountants (福建百鴻聯合會計師事務所) and Xiamen XinXian Certified Public Accountants Co. Ltd (廈門信賢會計師事務所有限公司), respectively, certified public accountants registered in the PRC.

The statutory financial statements of Fujian Wofan for the year ended 31 December 2014, 2015 and 2016 were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC and were audited by Xiamen Bo Yu Joint Accounting Firms (General Partnership) (廈門柏譽聯合會計師事務所(普通合伙)), Fujian Baihong Associated Certificated Public Accountants (福建百鴻聯合會計師事務所) and Xiamen XinXian Certified Public Accountants Co. Ltd (廈門信賢會計師事務所有限公司), respectively, certified public accountants registered in the PRC.

For the purpose of the Financial Information of this report, the directors of the Group have prepared the consolidated financial statements of the Group for the Relevant Periods (the “**Underlying Financial Statements**”) in accordance with the basis of presentation set out in note 2 of Section II below and accounting policies set out in note 3 of Section II below which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The Financial Information has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

RESPONSIBILITY

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the basis of presentation set out in note 2 of Section II below and the accounting policies set out in note 3 of Section II below and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), and the contents of this Prospectus in which this report is included. The directors of the Company are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Information that is free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent opinion, on the Financial Information and to report our opinion to you.

BASIS OF OPINION

For the purpose of this report, we have examined the Financial Information in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA and have carried out such additional procedures on the Financial Information as we considered necessary.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information prepared on the basis as set out in note 2 of Section II below and in accordance with the accounting policies set out in note 3 of Section II below, gives a true and fair view of the financial position of the Company as at 31 December 2016 and of the Group as at 31 December 2014, 2015 and 2016 of the financial performance and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
Revenue	7	204,847	366,968	468,039
Cost of sales		(156,944)	(272,862)	(349,642)
Gross profit		47,903	94,106	118,397
Other income and other gains/(losses), net	8	(157)	411	435
Selling and distribution expenses		(8,536)	(14,547)	(17,838)
Administrative expenses		(1,851)	(2,707)	(14,039)
Other expenses		(274)	(1,012)	(1,320)
Finance costs	9	(1,313)	(1,028)	(219)
Profit before income tax	10	35,772	75,223	85,416
Income tax expense	11	(9,301)	(19,379)	(24,264)
Profit for the year attributable to owners of the Company		26,471	55,844	61,152
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
– Exchange difference arising from translation of foreign operations		–	–	(804)
Other comprehensive income for the year		–	–	(804)
Profit and total comprehensive income for the year attributable to owners of the Company		26,471	55,844	60,348

Consolidated Statements of Financial Position

		As at 31 December		
	Notes	2014	2015	2016
		RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Plant and equipment	15	410	312	196
Prepaid lease payments	16	279	229	179
Deposits paid to suppliers	17	4,000	–	2,500
		<u>4,689</u>	<u>541</u>	<u>2,875</u>
Current assets				
Inventories	18	41,783	25,322	31,591
Trade receivables	19	48,568	51,311	74,533
Deposits, prepayments and other receivables	20	5,033	6,042	3,649
Pledged bank deposits	21	82	72	–
Cash and cash equivalents	22	31,470	73,679	109,982
		<u>126,936</u>	<u>156,426</u>	<u>219,755</u>
Current liabilities				
Trade payables	23	47,043	39,483	39,715
Accruals, deposits received and other payables	24	1,132	1,372	20,405
Amount due to a director	25	300	–	–
Provision for taxation		3,135	5,449	6,924
Interest-bearing borrowings	26	14,821	9,625	–
		<u>66,431</u>	<u>55,929</u>	<u>67,044</u>
Net current assets		<u>60,505</u>	<u>100,497</u>	<u>152,711</u>
Net assets		<u>65,194</u>	<u>101,038</u>	<u>155,586</u>
CAPITAL AND RESERVES				
Share capital	27	5,800	5,800	–
Reserves		59,394	95,238	155,586
Total equity		<u>65,194</u>	<u>101,038</u>	<u>155,586</u>

Company Statements of Financial Position

	As at 31 December 2016
	RMB'000
ASSETS AND LIABILITIES	
Non-current assets	
Investment in subsidiary	—
Current assets	
Prepayment	2,426
Amounts due from shareholders	—
Cash and cash equivalents	—
	<u>2,426</u>
Current liabilities	
Accruals, deposits received and other payables	9
Amounts due to subsidiaries	11,129
	<u>11,138</u>
Net current liabilities	<u>(8,712)</u>
Net liabilities	<u>(8,712)</u>
CAPITAL AND RESERVES	
Share capital*	—
Reserves*	(8,712)
Capital deficiencies	<u>(8,712)</u>

* The movement of the Company's capital and reserves are as follow:

	Share capital	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 8 January 2016 (date of incorporation)				
Issue of share capital upon incorporation (Note 27(i))	—	—	—	—
Loss for the year	—	—	(8,348)	(8,348)
Other comprehensive income for the year				
Exchange difference arising from translation of foreign operation.	—	(364)	—	(364)
At 31 December 2016	<u>—</u>	<u>(364)</u>	<u>(8,348)</u>	<u>(8,712)</u>

Consolidated Statements of Changes in Equity

	Share capital	Special reserve*	Statutory reserve*	Exchange reserve*	Other reserve*	Retained profits*	Total
	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	5,800	–	1,493	–	–	13,630	20,923
Profit and total comprehensive income for the year	–	–	–	–	–	26,471	26,471
Increased contribution to the Company (Note a)	–	17,800	–	–	–	–	17,800
Transfer to statutory reserve	–	–	1,407	–	–	(1,407)	–
At 31 December 2014 and 1 January 2015	5,800	17,800	2,900	–	–	38,694	65,194
Profit and total comprehensive income for the year	–	–	–	–	–	55,844	55,844
Dividends declared in respect of the current year	–	–	–	–	–	(20,000)	(20,000)
Transfer to statutory reserve	–	–	1,896	–	–	(1,896)	–
At 31 December 2015 and 1 January 2016	5,800	17,800	4,796	–	–	72,642	101,038
Issue of share capital (Note 27(i))	–	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	61,152	61,152
Other comprehensive income Exchange difference arising from translation of foreign operation	–	–	–	(804)	–	–	(804)
Total comprehensive income for the year	–	–	–	(804)	–	61,152	60,348
Transfer to statutory reserves	–	–	3,104	–	–	(3,104)	–
Group Reorganisation (Note c)	(5,800)	–	–	–	5,800	(5,800)	(5,800)
At 31 December 2016	–	17,800	7,900	(804)	5,800	124,890	155,586

* The total of these accounts as at the reporting dates represents “Reserves” in the consolidated statements of financial position.

Notes:

- (a) During the year ended 31 December 2014, the director has waived the repayment amounted to RMB17,800,000 from its outstanding balance. It was deemed as contribution to the Company and has been capitalised to special reserve.
- (b) The statutory reserve represents the amount transferred from net profit for the year of the subsidiaries established in the PRC (based on the subsidiaries PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserves reaches 50% of the registered capital of the subsidiaries. The statutory reserve cannot be reduced except either in setting off the accumulated losses or increasing capital.
- (c) On 27 April 2016, New Lead acquired 100% equity interest in Xiamen Wofan from their shareholders at an aggregate consideration of US\$892,307 (equivalent to RMB5,800,000), which was based on the registered capital of Xiamen Wofan. New Lead settled such consideration by cash, which was advanced by shareholders of the Company. The amounts due to shareholders is included in accruals, deposits received and other payables as at 31 December 2016 with the corresponding amount recognised as deemed distribution to shareholders.

After the acquisition of Xiamen Wofan, the Company became the holding company of the Group thereafter. The amount transferred to other reserve represents the nominal value of the share capital of Xiamen Wofan.

Consolidated Statements of Cash Flows

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profit before income tax	35,772	75,223	85,416
Adjustments for:			
Depreciation of plant and equipment	119	129	116
Amortisation of prepaid lease payments	50	50	50
Finance costs	1,313	1,028	219
Interest income	(84)	(160)	(279)
Impairment/(reversal of impairment) loss on trade receivables	301	(191)	–
Operating profit before working capital changes	37,471	76,079	85,522
Increase in trade receivables	(33,866)	(2,552)	(23,222)
Decrease/(increase) in deposits, prepayments and other receivables	1,323	2,991	(3)
(Increase)/decrease in inventories	(8,878)	16,461	(6,269)
Increase/(decrease) in trade payables	39,512	(7,560)	232
Increase in accruals, deposits received and other payables	644	240	829
Cash generated from operations	36,206	85,659	57,089
Income tax paid	(7,369)	(17,065)	(22,789)
<i>Net cash generated from operating activities</i>	<u>28,837</u>	<u>68,594</u>	<u>34,300</u>
Cash flows from investing activities			
Purchase of plant and equipment	(113)	(31)	–
(Increase)/decrease pledged bank deposits	(82)	10	72
Interest received	84	160	279
<i>Net cash (used in)/generated from investing activities</i>	<u>(111)</u>	<u>139</u>	<u>351</u>
Cash flows from financing activities			
Dividends paid	–	(20,000)	–
Proceeds from interest-bearing borrowings	11,000	6,500	–
Repayment on interest-bearing borrowings	(5,627)	(11,696)	(9,625)
Advance from a director	300	–	–
Advance from shareholders	–	–	17,295
Interest paid	(1,313)	(1,028)	(219)
Repayment to a director	(11,000)	(300)	–
Deemed distribution to shareholders	–	–	(5,800)
<i>Net cash (used in)/generated from financing activities</i>	<u>(6,640)</u>	<u>(26,524)</u>	<u>1,651</u>
Net increase in cash and cash equivalents	22,086	42,209	36,302
Cash and cash equivalents at beginning of the years	9,384	31,470	73,679
Effect of exchange rate changes	–	–	1
Cash and cash equivalents at end of the years	<u>31,470</u>	<u>73,679</u>	<u>109,982</u>

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 January 2016 under the Cayman Islands Companies Law. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is located at PRC.

The principal activity of the Company is investment holding. The principal activities of the Group are packaging and sales of seafood products (the "**Listing Businesses**").

2. BASIS OF PRESENTATION

During the Relevant Periods, the Listing Businesses were conducted through Xiamen Wofan and its subsidiary. Xiamen Wofan was controlled by Mr. Liu Rongru (the "**Controlling Shareholder**"). As detailed in the section headed "History, Development and Reorganisation" in the Prospectus, the Group underwent a reorganisation to rationalise its corporate structure in connection with the Listing of the shares of the Company on the Stock Exchange.

The Company was incorporated in the Cayman Islands on 8 January 2016 as an exempted company with limited liability under the Cayman Islands Companies Law. Pursuant to the Group Reorganisation as detailed in the section headed "History, Development and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 27 April 2016. The Company, Billion Bond and New Lead (together, the "**Non-operating Companies**") are newly incorporated companies as part of the Group Reorganisation of Xiamen Wofan and none of these new holding companies carried out any business since their incorporation.

The Group Reorganisation only involved inserting the Non-operating Companies as holding companies on top of Xiamen Wofan, which has not resulted in any change of economic substance in the ownership and business of the Group. Accordingly, the Financial Information is a continuation of the existing group.

For the purpose of this report, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition or incorporation/establishment, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 have been prepared to present the state of affairs of the Group as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period. The net assets and results of the Group were consolidated using the carrying value from the perspective of the Controlling Shareholders. All significant intra-group transactions and balances have been eliminated on consolidation.

Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Financial Information has been prepared in accordance with the basis of presentation set out in note 2 and the accounting policies set out below, which conform the HKFRSs issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirement of the Hong Kong Companies Ordinance and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Group and became effective during the Relevant Periods. In preparing this Financial Information, the Group has adopted all these new or revised HKFRSs consistently throughout the Relevant Periods.

At the date of this report, the HKICPA has issued certain new or amended HKFRSs but are not yet effective and have not been adopted early by the Group. Details of which are set out in note 4.

3.2 Basis of measurement

The Financial Information have been prepared under the historical cost basis.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately different from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

3.3 Functional and presentation currency

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

3.4 Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) comprising the Group for the Relevant Periods. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate and rental income is accrued on a time proportion basis over the lease term.

3.6 Plant and equipment

Plant and equipment including electric equipment, plant and machinery, motor vehicles and furniture and equipment in the production or supply of goods, or for administrative purposes, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Plant and equipment are depreciated so as to write off their costs net of expected residual value over their estimated useful lives on straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Electric equipment	3 years
Plant and machinery	10 years
Motor vehicles	4 years
Furniture and equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

3.7 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

3.8 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.9 Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- plant and equipment; and
- prepaid lease payments

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3.10 Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.12 Financial Instruments

(a) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors) and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using effective interest method, less any identified impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(b) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(c) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including bank borrowings, trade payables, other payables and accruals and deposits received and amount due to a director subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(d) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(e) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(f) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

3.13 Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate(s) (the “**functional currency**”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

3.14 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

3.15 Employee benefits

(a) *Defined contribution retirement plan*

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the “**Scheme**”), whereby the subsidiary of the Company in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(b) *Short-term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

3.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

For the purposes of assessing segment performance and allocating resources between segments, the directors assess segment profit or loss by gross profit or loss as measured in Financial Information.

For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets, country of domicile is determined by reference to the country where the majority of the Company's subsidiaries operate.

3.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.18 Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. NEW OR REVISED HKFRSs

For the purpose of preparing the Financial Information, the Group has adopted and consistently applied Hong Kong Accounting Standards ("HKASs"), HKFRSs, interpretations and amendments, issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2016 throughout the Relevant Periods.

The following new HKASs, HKFRSs, interpretations and amendments, which are not yet effective and have not been adopted early in these Financial Information, will or may have an effect on the Group's future Financial Information:

Amendments to HKAS 7	Disclosure Initiative ¹
HKFRS 9 (2014)	Financial Instruments ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ²
HKFRS 16	Lease ³
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014-2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after a date to be determined

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of the new or revised standards on the Group's results and financial position in the first year of application. Those new or revised HKFRSs that are expected have a significant effect on the Financial Information are set out below:

HKFRS 9 (2014) Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit and loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors anticipate that the application of HKFRS 9 in the future will have an impact on amounts reported in respect of the Group's financial performance and financial assets (e.g. impairment on trade receivables) resulting from early provision of credit losses using the expected loss impairment model under HKFRS 9 instead of incurred loss model under HKAS 39. The directors estimate that no material impact on the Group's financial performance and position upon the application of HKFRS 9 in the year of initial adoption.

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company anticipate that the application of HKFRS 15 in the future have no material impact on the Group's financial performance and position upon application in the year of initial adoption.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 Lease

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in these consolidated financial statements in note 29.

As set out in note 29, total operating lease commitment of the Group in respect of premises as at 31 December 2016 amounted to approximately RMB531,000, the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation

The Group depreciates the plant and equipment in accordance with the accounting policies stated in note 3.6. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets. The management reassesses the estimated useful lives at the end of each of the Relevant Periods.

(ii) Impairment of receivables

The management assesses impairment of receivables on a regular basis. This estimate is based on the credit history of the customers and debtors and current market conditions. The management reassesses the impairment of receivables at the end of each of the Relevant Periods.

(iii) Estimates of current tax and deferred tax

Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related tax. Where the final tax outcomes are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

6. SEGMENT INFORMATION

(a) Operating segment information

For management purpose, the Group operates in one business unit based on their products, and has one reportable and operating segment: packaging and sales of dried seafood, algae and fungi, seafood snacks and frozen seafood. The board of directors of the Company, being the chief operating decision maker, reviews monthly sales reports to determine the selling price of their products and monitors the operating results of its business unit for the purpose of making decisions about resource allocation and performance assessment.

(b) Information about products

The revenue of the major products is analysed as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Dried seafood	127,143	212,217	255,817
Algae and fungi	50,797	113,643	170,831
Seafood snacks	1,607	24,075	33,975
Frozen seafood	25,300	17,033	7,416
	204,847	366,968	468,039

(c) Information about major customers

Revenue from each major customer, which accounted for, 10% or more of the Group's revenue for each of the Relevant Periods is set out below:-

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Customer A.	22,038	35,480	42,966

(d) Information about geographical areas

The Company was incorporated in the Cayman Islands as an exempted company with limited liability of the Cayman Islands and its country of domicile of business is located at PRC.

The Group's sales by geographical areas, based on the delivery destination of the goods as requested by the customers, were all domestic and within the PRC.

The Group's non-current assets other than financial instruments mainly represent plant and equipment and prepaid lease payments are located in the PRC.

7. REVENUE

Revenue represents the net amounts received and receivable for goods sold in the normal course.

8. OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Other income:			
Interest income on bank deposits	84	160	279
Proceeds received from patent transfer	–	–	94
Rental income	60	60	58
Others	–	–	4
	<u>144</u>	<u>220</u>	<u>435</u>
Other gains/(losses):			
(Impairment loss recognised)/Reversal of impairment loss on trade receivables.	(301)	191	–
	<u>(157)</u>	<u>411</u>	<u>435</u>

9. FINANCE COSTS

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Interest charge on:			
– Secured other borrowing (Note 26(i))	360	–	–
– Secured bank borrowings (Note 26(ii))	678	865	219
Other finance cost.	275	163	–
	<u>1,313</u>	<u>1,028</u>	<u>219</u>

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Auditors' remuneration.	5	5	5
Amortisation of prepaid lease payments	50	50	50
Cost of inventories recognised as expenses	156,944	272,862	349,642
Research expenditure	274	1,003	1,283
Depreciation of plant and equipment	119	129	116
Operating lease rental in respect of:			
– Rented premises	1,116	1,568	1,674
Listing expenses.	–	100	9,012
Staff costs (including directors' emoluments – note 13):			
– Salaries and wages	6,640	10,052	13,875
– Retirement scheme contribution	1,455	2,067	2,192
	<u>1,455</u>	<u>2,067</u>	<u>2,192</u>

11. INCOME TAX EXPENSE

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Current tax:			
Tax for the current years	8,917	18,847	23,633
Under-provision in respect of prior years	384	532	631
	<u>9,301</u>	<u>19,379</u>	<u>24,264</u>

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Company's PRC subsidiaries is 25%.

Provision for the PRC Enterprise Income Tax ("EIT") for the Relevant Periods was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the Relevant Periods.

The taxable profit of the Group's subsidiaries in the PRC is subject to corporate income tax at 25% for the three years ended 31 December 2014, 2015 and 2016. Hong Kong profits tax at 16.5% has not been provided as the Group had no assessable profits arising in Hong Kong during the three years ended 31 December 2014, 2015 and 2016.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Profit before income tax	35,772	75,223	85,416
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	8,943	18,806	22,146
Under-provision in prior years	384	532	631
Effect of non-deductible expenses	–	–	1,537
Others	(26)	41	(50)
Income tax expense	9,301	19,379	24,264

As at 31 December 2014, 31 December 2015 and 31 December 2016, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB38,694,000, RMB72,642,000 and RMB140,008,000 respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of temporary differences and probable that such differences will not reverse in the foreseeable future.

12. DIVIDENDS

During the year ended 31 December 2015, a dividend of RMB20,000,000 had been declared and paid by Xiamen Wofan.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Details of directors' remuneration during the Relevant Periods are as follows:

	Fees	Salaries	Allowance and other benefits	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014					
<i>Executive directors</i>					
Liu Rongru	–	240	–	6	246
Jiang Dehua	–	34	–	6	40
Lin Jiangtang	–	–	–	–	–
<i>Independent non-executive directors</i>					
Huang Xingluan	–	–	–	–	–
Liu Dajin	–	–	–	–	–
Cheng Shing Yan	–	–	–	–	–
	–	274	–	12	286

	<u>Fees</u>	<u>Salaries</u>	<u>Allowance and other benefits</u>	<u>Retirement scheme contributions</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2015					
<i>Executive directors</i>					
Liu Rongru	-	240	-	6	246
Jiang Dehua	-	60	-	5	65
Lin Jiangtang	-	17	-	1	18
<i>Independent non-executive directors</i>					
Huang Xingluan	-	-	-	-	-
Liu Dajin	-	-	-	-	-
Cheng Shing Yan	-	-	-	-	-
	-	317	-	12	329
Year ended 31 December 2016					
<i>Executive directors</i>					
Liu Rongru	-	240	-	9	249
Jiang Dehua	-	180	-	8	188
Lin Jiangtang	-	121	-	10	131
<i>Independent non-executive directors</i>					
Huang Xingluan	-	-	-	-	-
Liu Dajin	-	-	-	-	-
Cheng Shing Yan	-	-	-	-	-
	-	541	-	27	568

Note:

No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.

(b) The five highest paid individuals

The five highest paid individuals of the Group during the Relevant Periods are analysed as follows:

	Year ended 31 December		
	2014	2015	2016
	Number of individuals	Number of individuals	Number of individuals
Directors	1	1	2
Non-directors, the highest paid individual	4	4	3
	<u>5</u>	<u>5</u>	<u>5</u>

Details of the remuneration of the above non-directors, the highest paid individual during the Relevant Periods are as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	333	476	923
Retirement scheme contribution	24	28	30
	<u>357</u>	<u>504</u>	<u>953</u>

The number of the highest paid non-directors fell within the following emolument band:

	Year ended 31 December		
	2014	2015	2016
	Number of individuals	Number of individuals	Number of individuals
Nil-HK\$1,000,000.	<u>4</u>	<u>4</u>	<u>3</u>

During the Relevant Periods, no emoluments were paid by the Group to any director or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any emolument during the Relevant Periods.

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	Year ended 31 December		
	2014	2015	2016
	Number of individuals	Number of individuals	Number of individuals
Nil-HK\$1,000,000.	<u>4</u>	<u>4</u>	<u>4</u>

14. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Group Reorganisation and the presentation of the results for the Relevant Periods as described in note 2 above.

15. PLANT AND EQUIPMENT

	Electric equipment	Plant and machinery	Motor vehicles	Furniture and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2014	95	46	251	213	605
Additions	–	22	69	22	113
At 31 December 2014	95	68	320	235	718
Additions	23	2	–	6	31
At 31 December 2015 and 31 December 2016	<u>118</u>	<u>70</u>	<u>320</u>	<u>241</u>	<u>749</u>
ACCUMULATED DEPRECIATION					
At 1 January 2014	73	9	30	77	189
Depreciation for the year	8	5	64	42	119
At 31 December 2014	81	14	94	119	308
Depreciation for the year	9	7	71	42	129
At 31 December 2015	90	21	165	161	437
Depreciation for the year	9	7	71	29	116
At 31 December 2016	<u>99</u>	<u>28</u>	<u>236</u>	<u>190</u>	<u>553</u>
NET BOOK VALUE					
At 31 December 2014	<u>14</u>	<u>54</u>	<u>226</u>	<u>116</u>	<u>410</u>
At 31 December 2015	<u>28</u>	<u>49</u>	<u>155</u>	<u>80</u>	<u>312</u>
At 31 December 2016	<u>19</u>	<u>42</u>	<u>84</u>	<u>51</u>	<u>196</u>

The above items of plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual values.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represented prepaid operating lease payments for tidal flats in PRC. The lease prepayments expensed in the profit or loss amounted to approximately RMB50,000 for year ended 31 December 2014, 2015 and 2016.

17. DEPOSITS PAID TO SUPPLIERS

The balance represents the earnest money paid to the fishermen for securing their long term supply of the raw materials. The deposits are unsecured, interest-free and the balances were subject to a repayable on demand clause once the contracts are being terminated.

18. INVENTORIES

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Raw materials	371	14,174	16,593
Work in progress	470	–	–
Finished goods	40,942	11,148	14,998
	<u>41,783</u>	<u>25,322</u>	<u>31,591</u>

19. TRADE RECEIVABLES

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade receivables	48,869	51,421	74,533
Less: allowance for doubtful debt	(301)	(110)	–
	<u>48,568</u>	<u>51,311</u>	<u>74,533</u>

The ageing analysis of trade receivables (net of impairments) as at the end of each of the Relevant Periods based on invoice date is as follows:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
0-30 days	40,266	36,714	48,282
31-60 days	7,737	14,351	24,488
61-90 days	565	246	1,763
	<u>48,568</u>	<u>51,311</u>	<u>74,533</u>

The Group has a policy of granting trade customers with credit terms of generally 30 days to 90 days. The ageing analysis of the Group's trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	48,484	51,129	74,490
Past due for less than 3 months	84	182	43
	<u>48,568</u>	<u>51,311</u>	<u>74,533</u>

The below table reconciled the impairment loss of trade receivables for the years:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
At 1 January	–	301	110
Impairment loss recognised/(reversed)	301	(191)	–
Bad debts written off	–	–	(110)
At 31 December	301	110	–

The Group recognised impairment loss based on the accounting policy stated in Note 3.12(b).

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Deposits paid to suppliers – Note 17	4,000	4,000	–
Valued added tax receivables	238	1,668	240
Other deposit and receivables	289	157	261
Amount due from a related party – Note	36	36	234
Prepayments	420	131	2,864
Prepaid lease payments – Note 16	50	50	50
	5,033	6,042	3,649

Note: The balance represents a rental deposit and rental prepayment paid to a company, which was controlled by the Controlling Shareholder's spouse. The balance was unsecured, interest-free, and will be repayable upon the end of lease term.

21. PLEDGED BANK DEPOSITS

As at 31 December 2014 and 2015, pledged deposits amounting to RMB82,000 and RMB72,000 had been placed in designated banks as part of the security provided for the short-term bank borrowings granted to the Group by banks and are therefore classified as current assets (see note 26). The effective interest rates of the pledged deposits at 31 December 2014 and 2015 are 3.26% and 2.88% per annum respectively.

22. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents comprise bank deposits carrying interest at floating rates based on daily bank deposit rates and short-term bank deposits carrying interests at prevailing market interest rate ranging from 0.35% to 2.35%, 0.35% to 1.10% and 0.35% to 1.10% per annum as at 31 December 2014, 2015 and 2016 respectively, with an original maturity of three months or less.

23. TRADE PAYABLES

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade payables	47,043	39,483	39,715

The credit terms of trade payables vary according to the terms agreed with different suppliers, normally 30 days. Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade payables as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
0-30 days	47,043	39,477	39,715
31-60 days	–	6	–
	<u>47,043</u>	<u>39,483</u>	<u>39,715</u>

The trade payables are short-term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of fair value.

24. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Amounts due to shareholders (Note)	–	–	18,194
Accrued wages and staff benefits	765	945	1,332
Other payables and accrual	353	397	849
Other tax payables and tax surcharges	14	30	30
	<u>1,132</u>	<u>1,372</u>	<u>20,405</u>

Note:

The balances were unsecured, interest-free, and repayable on demand. The directors of the Company represented that the balances will be settled prior to the Listing.

25. AMOUNT DUE TO A DIRECTOR

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Mr. Liu Rongru	<u>300</u>	<u>–</u>	<u>–</u>

The amount due to a director was not trade related, and the balance was unsecured, interest-free and repayable on demand. During the year ended 31 December 2014, Mr. Liu Rongru has waived the repayment amounted to RMB17,800,000 from the outstanding balance. It was deemed as contribution to the Company and has been capitalised to special reserve. The remaining balance had been settled during the year ended 31 December 2015.

26. INTEREST-BEARING BORROWINGS

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Repayable within one year			
– Secured other borrowing (i)	–	–	–
– Secured bank borrowings. (ii)	14,821	9,625	–
	<u>14,821</u>	<u>9,625</u>	<u>–</u>

(i) On 27 September 2012, the other borrowing was borrowed from Xiamen International Trust Co. Ltd (廈門國際信託有限公司) and bore interest charges at a fixed rate of 9.45% per annum. The borrowing was secured by Xiamen Guarantees Co. Ltd (廈門市擔保有限公司) (“**Xiamen Guarantees**”), which is an independent third party engaged in the guarantee business. Xiamen Guarantees then entered the following counter guarantee arrangements:

- personal guarantees were provided by the Controlling Shareholder and the close family members of the Controlling Shareholder without any charges;
- a corporate guarantee was provided by a company, which was controlled by the Controlling Shareholder’s spouse without any charges; and
- legal charges over certain properties amounted to RMB3,500,000 held by the close family members of the Controlling Shareholder.

(ii) The secured bank borrowings were detailed as follow:

- (a) On 23 October 2013, a banking facility of RMB1,000,000 was granted by the Xiamen Bank Co., Ltd. (廈門銀行股份有限公司), which consists of two tranches. Tranche A amounted to RMB200,000 with the interest charging at 180% of the benchmark rate in PRC per annum. Tranche B amounted to RMB800,000 with the interest charging at 130% of the benchmark rate in PRC per annum. The facility was secured by personal guarantees provided by the Controlling Shareholder and the close family members of the Controlling Shareholder without any charges and a legal charge over a property held by the Controlling Shareholder, which amounted to RMB1,153,300.
- (b) On 28 June 2013, a banking facility of RMB3,700,000 was granted by the Xiamen Bank Co., Ltd. (廈門銀行股份有限公司), which consists of two tranches. Tranche A amounted to RMB1,200,000 with the interest charging at 150% of the benchmark rate in PRC per annum. Tranche B amounted to RMB2,500,000 with the interest charging at 125% of the benchmark rate in PRC per annum. The facility was secured by personal guarantees provided by the Controlling Shareholder and the close family members of the Controlling Shareholder without any charges, a corporate guarantee provide by a company, which was controlled by the Controlling Shareholder’s spouse without any charges and a legal charge over a property held by a company, which was controlled by the Controlling Shareholder’s spouse, which amounted to RMB4,185,900.
- (c) On 22 May 2014, a loan amounted to RMB6,500,000 was borrowed from China Construction Bank Corporation (中國建設銀行股份有限公司) and bore interest charges at 125% of the benchmark rate in PRC per annum. The loan was secured by a pledge deposit of RMB82,000 as disclosure in note 21 and a guarantee provided by Xiamen Guarantees, which entered the following counter guarantee arrangements:
- a corporate guarantee provided by a company, which was controlled by the Controlling Shareholder’s spouse without any charges;
 - a legal charge over a property held by the close family members of the Controlling Shareholder, which amounted to RMB4,750,000; and
 - personal guarantees provided by the Controlling Shareholder and the close family members of the Controlling Shareholder without any charges.

- (d) On 13 November 2014, a loan amounted to RMB4,500,000 was borrowed from Xiamen Bank Co., Ltd. (廈門銀行股份有限公司) and bore interest charges at 135% of the benchmark rate in PRC per annum. The loan was secured by personal guarantees provided by the Controlling Shareholder and the close family members of the Controlling Shareholder without any charges and Xiamen Guarantees, which entered the following counter guarantees arrangements:
- a corporate guarantee provided by a company, which was controlled by the Controlling Shareholder's spouse without any charges;
 - a legal charge over a property held by the Controlling Shareholder's spouse, which amounted to RMB2,800,000; and
 - personal guarantees provided by the Controlling Shareholder and the close family members of the Controlling Shareholder without any charges.
- (e) On 3 June 2015, a loan amounted to RMB6,500,000 was borrowed from China Construction Bank Corporation (中國建設銀行股份有限公司) and bore interest charges at 1.58% on top of the Loan Prime Rate in PRC per annum. The loan was secured by a pledge deposit of RMB72,000 as disclosure in note 21 and a guarantee provided by Xiamen Guarantees, which entered the following counter guarantee arrangements:
- personal guarantees provided by the Controlling Shareholder and the close family members of the Controlling Shareholder without any charges; and
 - a corporate guarantee provided by a company, which was controlled by the Controlling Shareholder's spouse without any charges.
- (iii) All the interest bearing borrowings had been settled upon 4 May 2016, and thus, the above guarantee had been released.
- (iv) All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Company's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Company was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Company's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Company has complied with the covenants and met the scheduled repayment obligations.

The Company regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Company continues to meet these requirements. Further details of the Company's management of liquidity risk are set out in note 34(c). As at 31 December 2014, 2015 and 2016, none of the covenants relating to drawn down facilities had been breached.

27. SHARE CAPITAL

- (i) The Company was incorporated as exempted company under the laws of the Cayman Islands with limited liability on 8 January 2016 with authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each and issued 100 share of HK\$10.
- (ii) Further details of the changes in the Company's share capital are set out in the section headed "History, Development and Reorganisation" in the Prospectus.
- (iii) The Group Reorganisation was not completed as at 31 December 2016. For the purpose of this report, the share capital in the Group's consolidated statement of financial position as at 1 January 2014, 31 December 2014 and 2015 represented the share capital of Xiamen Wofan and the share capital in the Group's consolidated statements of financial position as at 31 December 2016 represent the share capital of the Company.

28. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group's PRC companies are required to contribute certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

29. OPERATING LEASE COMMITMENT**The Group as lessee**

The Group leases a number of premises under operating lease arrangement. The lease runs for an initial period of one year and is non-cancellable. The total future minimum lease payments under the lease are due as follows:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Rented premises:			
– Within one year	445	217	424
– In the second to fifth year, inclusive	200	200	107
– After five years	83	33	–
	728	450	531
	728	450	531

The Group as lessor

During the years ended 31 December 2014, 2015 and 2016 rental income earned was RMB60,000, RMB60,000 and RMB58,000, respectively.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Rented premises:			
– Within one year	60	60	54
– In the second to fifth year, inclusive	240	240	197
– After five years	95	35	–
	395	335	251
	395	335	251

30. COMMITMENTS

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Commitments for research and development project	–	1,000	500
	–	1,000	500
	–	1,000	500

31. MATERIAL RELATED PARTY TRANSACTIONS

Other than disclosed in notes 20, 24 and 25, the Group entered into the following related party transactions during Relevant Periods.

(a) Name and relationship

Name of related parties	Relationship with the Group
Mr. Liu Rongru	Controlling Shareholder and a director
Xiamen Yehong Foodstuffs Company Limited (廈門葉紅食品有限公司)*	A company, which was controlled by the Controlling Shareholder's spouse
Fujian Quanzhou Dietary Condiment Company Limited (福建省泉州市食育味業調味品有限公司)*	A company, which was controlled by the Controlling Shareholder

(b) Related parties transactions

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
(i) Administrative expenses – leasing expenses			
Mr. Liu Rongru	4	–	–
(ii) Cost of sales – rental expense	22	22	77
Administrative expenses – rental expense			
Xiamen Yehong Foodstuffs Company Limited (廈門葉紅食品有限公司)*	14	14	51
	36	36	128
(iii) Other income – proceeds from patent transfer			
Fujian Quanzhou Dietary Condiment Company Limited (福建省泉州市 食育味業調味品有限公司)*	–	–	94
(iv) Key management personnel			
– Short-term benefits	284	283	834
– Contributions to retirement benefit scheme	18	18	39
	302	301	873

* The English name of the company is translated for identification purpose only.

32. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits, respectively.

The directors of the Company reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt, if necessary.

Management regards total equity as capital. The amount of capital as at 31 December 2014, 2015 and 2016 amounted to approximately RMB65,194,000, RMB101,038,000 and RMB155,586,000, respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Financial assets			
<i>Loans and receivables</i>			
Pledge bank deposits	82	72	–
Cash and cash equivalents	31,470	73,679	109,982
Trade and other receivables	56,893	55,504	77,528
Financial liabilities			
<i>Amortised costs</i>			
Trade and other payables	48,161	40,825	60,090
Amount due to a director	300	–	–
Interest-bearing borrowings	14,821	9,625	–

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include pledge bank deposits, cash and cash equivalents, trade and other receivables, trade and other payables, amount due to a director and interest-bearing borrowings.

Due to their short term nature, the carrying value of pledge bank deposits, cash and cash equivalents, trade and other receivables, trade and other payables approximates fair value.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables, bank balances and cash, trade payables, other payables and amount due to a director.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits. The Group does not have an interest rate hedging policy. However, the directors of the Company monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk. All of the bank borrowings of the Group and the Company as at 31 December 2014, 2015 and 2016 bore interest at floating rates. The interest rate and repayment terms of the borrowings at the end of the reporting period are disclosed in note 26.

The following sensitivity demonstrates the Group's and the Company's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below as the difference could be material):

	<u>2014</u>	<u>2015</u>	<u>2016</u>
	RMB'000	RMB'000	RMB'000
(Decrease)/Increase in profit after tax and retained profits			
+50 basis points ("bp") (2014, 2015 and 2016: 50bp)	(56)	(36)	–
-10bp (2014, 2015 and 2016: 10bp)	11	7	–
	<u> </u>	<u> </u>	<u> </u>

The changes in interest rates do not affect the Group's and the Company's other components of equity. The above sensitivity analysis is prepared based on the assumption that the bank borrowing period of the loans outstanding at the end of the reporting period resembles that of the corresponding financial year.

(b) Credit risk

At the end of reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action are taken to recover overdue debts. In addition, the directors of the Company review the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk of the Group is concentrated on trade receivables from the Group's five largest customers at 31 December 2014, 31 December 2015 and 31 December 2016 amounting to RMB22,255,000, RMB26,188,000 and RMB29,486,000, respectively, and accounted for 46%, 51% and 40% of the Group's total trade receivables. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of its customers to ensure that prompt actions will be taken to lower exposure.

(c) **Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

	Carrying Amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	RMB'000	RMB'000	RMB'000
As at 31 December 2014			
Trade payables	47,043	47,043	47,043
Accruals, deposit received and other payables	1,118	1,118	1,118
Amount due to a director	300	300	300
Interest-bearing borrowings	14,821	16,668	16,668
	<u>63,282</u>	<u>65,129</u>	<u>65,129</u>

	Carrying Amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	RMB'000	RMB'000	RMB'000
As at 31 December 2015			
Trade payables	39,483	39,483	39,483
Accruals, deposit received and other payables	1,342	1,342	1,342
Interest-bearing borrowings	9,625	10,567	10,567
	<u>50,450</u>	<u>51,392</u>	<u>51,392</u>

	Carrying Amount	Total contractual undiscounted cash flows	Within 1 year or on demand
As at 31 December 2016			
Trade payables	39,715	39,715	39,715
Accruals, deposit received and other payables	20,375	20,375	20,375
	<u>60,090</u>	<u>60,090</u>	<u>60,090</u>

(d) **Currency risk**

The Group mainly operated in the PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

35. EVENTS AFTER THE END OF RELEVANT PERIODS

The companies now comprising the Group underwent and completed Group Reorganisation on 22 June 2017 in preparation for the listing of the shares of the Company on the Stock Exchange. Further details of the Group Reorganisation are set out in the section headed "History, Development and Reorganisation" in the Prospectus.

On 22 June 2017, written resolutions of the shareholders of the Company were passed to approve the matters set out in the section headed "Written Resolution of our Shareholders" in Appendix IV to the Prospectus.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2016.

Yours faithfully,

BDO Limited

Certified Public Accountants

Yau Shuk Yuen, Amy

Practising Certificate Number: P06095

Hong Kong, 30 June 2017

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Main Board Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about the effect of the Global Offering on the consolidated net tangible assets of our Group as at 31 December 2016 as if the Global Offering had taken place on 31 December 2016. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of our Group had the Global Offering been completed on 31 December 2016 or at any future dates.

	Audited consolidated net tangible assets of our Group as at 31 December 2016	Estimated net proceeds from the issue of New Shares pursuant to the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on Offer Price of HK\$0.59 per Offer Share	155,586	105,612	261,198	0.26	0.30
Based on Offer Price of HK\$0.84 per Offer Share	155,586	156,972	312,558	0.31	0.36

Notes:

- The audited consolidated net tangible assets of our Group as at 31 December 2016 is extracted from "Appendix I — Accountant's Report" to this prospectus, which is the audited consolidated equity.

2. The estimated net proceeds from the issue of Shares pursuant to the Global Offering are based on our Group issuing and offering 250,000,000 Shares at the Offer Price of HK\$0.59 and HK\$0.84 per Share, being the low-end and high-end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and related other expenses (excluding listing related expenses of approximately RMB11,787,000 already incurred prior to 31 December 2016) payable by our Group. The estimated net proceeds are converted into RMB at an exchange rate of HK\$1.00 to RMB0.8742, the exchange rate set by the People's Bank of China for foreign exchange transactions prevailing at 21 June 2017. No representation is made that the HK\$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all. No account has been taken of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Global Offering as set out in the "Share Capital" section to this prospectus had the Global Offering been completed on 31 December 2016, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8742, the exchange rate set by the People's Bank of China for foreign exchange transactions prevailing at 21 June 2017. No representation is made that the HK\$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2016.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in relation to the unaudited pro forma financial information.



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TO THE DIRECTORS OF CHINA SHENGHAI FOOD HOLDINGS COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Shenghai Food Holdings Company Limited (formerly known as Oceania Green Food Holdings Company Limited and Oceania Food (China) Holdings Company Limited) (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of our Group as at 31 December 2016 and the related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Section A of Appendix II of the Company’s prospectus dated 30 June 2017 (the “**Prospectus**”) in connection with the proposed initial public offering of the shares of the Company (the “**Proposed Public Offer**”). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the Proposed Public Offer of the Company on our Group’s consolidated financial position as at 31 December 2016 as if the Proposed Public Offer had taken place on the same date. As part of this process, information about our Group’s consolidated financial position has been extracted by the directors of the Company from our Group’s financial statements for the three years ended 31 December 2016 on which an Accountants’ Report set out in Appendix I of the Prospectus has been published.

Directors’ responsibilities for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29 (7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the entity, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of our Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited*Certified Public Accountants*

Hong Kong

30 June 2017

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Companies law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 January, 2016 under the Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 22 June 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or

registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting, must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Companies law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Companies law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2 February 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's legal adviser as to Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies and available for Public Inspection in Hong Kong — 2. Documents available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR COMPANY**(i) Incorporation**

Our Company was incorporated on 8 January 2016 in the Cayman Islands as an exempted company with limited liability under the Companies Law. We have established a principal place of business in Hong Kong at Room 1004, 10/F, 303 Hennessy Road, Wanchai, Hong Kong and application has been made with the Registrar of Companies in Hong Kong for our Company to be registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Wong Wai Lun has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its registered place of business in Hong Kong.

As we are incorporated in the Cayman Islands, our corporate structure, Memorandum of Association and Articles of Association are subject to the laws of the Cayman Islands. A summary of our constitution and the relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

(ii) Changes in Share Capital of our Company

- (a) on 8 January 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital was HK\$380,000 divided into 3,800,000 Shares of par value of HK\$0.1 each;
- (b) on 8 January 2016, one share of par value HK\$0.1 was allotted and issued fully-paid to the subscriber, an Independent Third Party, which in turn transferred such one Share to Precisely Unique at par. On the same date, 69, 10, 10, 5 and 5 Shares were allotted and issued all credited as fully-paid to Precisely Unique, Jiranek Investments, Rising Case, Scenic Gift and Skillful Sphere, respectively;
- (c) on 21 June 2017, each of the issued and unissued shares of HK\$0.1 in the share capital of our Company was subdivided into 10 Shares of HK\$0.01 each. On the same date, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 ordinary shares of par value HK\$0.01 each, by the creation of 9,962,000,000 ordinary shares of par value HK\$0.01 each; and
- (d) on 22 June 2017, 140,000, 20,000, 20,000, 10,000 and 10,000 Shares were allotted and issued all credited as fully-paid to Precisely Unique, Jiranek Investments, Rising Case, Scenic Gift and Skillful Sphere, respectively, in consideration of the capitalisation of loans in the amount of HK\$15,965,151, HK\$2,280,736, HK\$2,280,736, HK\$1,140,368 and HK\$1,140,368 owing by our Company to Precisely Unique, Jiranek Investments, Rising Case, Scenic Gift and Skillful Sphere, respectively.

As at the Latest Practicable Date, our Company had an authorised share capital of HK\$100,000,000, divided into 10,000,000,000 Shares, and an issued share capital of HK\$2,010, divided into 201,000 Shares, all fully paid or credited as fully paid.

Save for aforesaid and as mentioned in the subsection headed “— 1. Further Information about our Company — (iv) Written Resolutions of our Shareholders passed on 22 June 2017” below, there has been no alteration in the share capital of our Company since its incorporation.

(iii) Share Capital of our Company after the Global Offering

Immediately following the completion of the Global Offering but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that have been or may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid, and 9,000,000,000 Shares will remain unissued.

Other than the exercise of the Over-allotment Option, the exercise of any options which have been or may be granted under the Share Option Scheme or the exercise of the general mandate to issue Shares referred to in the subsection headed “— 1. Further Information about our Company — (iv) Written Resolutions of our Shareholders passed on 22 June 2017”, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Appendix and the section headed “History, Development and Reorganisation” in this prospectus, there has been no alteration in the share capital of our Company since our incorporation.

(iv) Written Resolutions of our Shareholders passed on 22 June 2017

Pursuant to the resolutions in writing passed by our Shareholders on 22 June 2017:

- (a) our Company approved and adopted the Memorandum with immediate effect and Articles with effect from the Listing Date;
- (b) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and Shares to be issued pursuant to the Global Offering, the Capitalisation Issue, the exercise of the Over-allotment Option and the Shares to be issued upon the exercise of any options which have been or may be granted under the Share Option Scheme; (ii) the Offer Price having been fixed on or around the Price Determination Date; (iii) the execution and delivery of the International Placing Underwriting Agreement on or around the Price Determination Date; and (iv) the obligations of the Underwriter(s) under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators) (on behalf of the Underwriter(s)) and the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise:
 - (i) the Global Offering and the Capitalisation Issue were approved and our Directors were authorised to effect the same and to allot and issue the new Shares pursuant to the Global Offering and the Capitalisation Issue;
 - (ii) the proposed listing of the Shares on the Stock Exchange was approved and our Directors were authorised to implement such listing;

- (iii) the Over-allotment Option was approved and the Directors were authorised to effect the same and to allot and issue up to 37,500,000 Shares upon the exercise of the Over-allotment Option; and
 - (iv) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 749,799,000 Shares credited as fully paid at par by way of capitalisation of the sum of HK\$7,497,990 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares;
- (c) a general unconditional mandate was granted to our Directors to, inter alia, issue, allot and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that:
- (1) the aggregate number of Shares allotted or agreed to be allotted by the Directors shall not exceed the aggregate of:
 - (i) 20% of the total number of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme); and
 - (ii) the total number of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below;
 - (2) the aggregate number of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares pursuant to:
 - (i) a rights issue;
 - (ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles;
 - (iii) any specific authority granted by the Shareholders in general meeting; or
 - (iv) the exercise of any options which have been or may be granted under the Share Option Scheme;

- (3) this general mandate to issue Shares will expire at the earliest of:
- (i) the conclusion of our next annual general meeting;
 - (ii) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
 - (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate number not exceeding 10% of the aggregate number of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme). This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules and all applicable laws. Such mandate will expire at the earliest of:
- (i) the conclusion of our next annual general meeting;
 - (ii) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
 - (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;
- (e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate number of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (d) above (up to 10% of the aggregate number of the Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme).
- (f) conditional on (1) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme, and (2) the commencement of trading of the Shares on the Main Board of the Stock Exchange, (i) the adoption of the Share Option Scheme was approved and (ii) the Directors were authorised to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme.

2. OUR SUBSIDIARIES

The particulars of our subsidiaries are provided in the Accountants' Report, the text of which is set out in Appendix I in this prospectus.

3. CHANGES IN THE SHARE CAPITAL OF OUR SUBSIDIARIES

The following changes in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Xiamen Wofan

- (i) on 10 February 2015, Mr. Liu and Jiranek Investments entered into an equity transfer agreement, pursuant to which Mr. Liu transferred 10% equity interest in Xiamen Wofan to Jiranek Investments at a consideration of RMB580,000;
- (ii) on 21 September 2015, Mr. Liu Rongfeng entered into equity transfer agreement with Mr. Liu, Xiamen Shengtianji and Xiamen Shengying, pursuant to which Mr. Liu Rongfeng transferred 30%, 5% and 5% equity interest in Xiamen Wofan to Mr. Liu, Xiamen Shengtianji and Xiamen Shengying respectively at the consideration of RMB1,740,000, RMB290,000 and RMB290,000, respectively;
- (iii) on 29 March 2016, New Lead entered into an equity transfer agreement with Mr. Liu, Liu Tianping, Jiranek Investments, Xiamen Shengtianji and Xiamen Shengying, pursuant to which Mr. Liu, Liu Tianping, Jiranek Investments, Xiamen Shengtianji and Xiamen Shengying agreed to transfer the entire equity interests in Xiamen Wofan to New Lead at an aggregate consideration of US\$892,307;

Billion Bond

- (iv) on 28 August 2015, Billion Bond was incorporated in the BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of par value US\$1.00 each;
- (v) on 12 January 2016, one ordinary share of par value US\$1.00 in Billion Bond was allotted and issued fully-paid to our Company;

New Lead

- (vi) on 3 December 2015, New Lead was incorporated in Hong Kong with limited liability and on the same date, one share in New Lead was allotted and issued to the subscriber, an Independent Third Party; and
- (vii) on 12 January 2016, the subscriber transferred one share to Billion Bond and since then, New Lead has become a wholly-owned subsidiary of Billion Bond. New Lead is an investment holding company.

4. CORPORATE REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for the listing of the Shares on the Stock Exchange. Please refer to the section headed “History, Development and Reorganisation — Reorganisation” in this prospectus for further details.

5. SHARE REPURCHASE MANDATE

This section includes information relating to the repurchase by our Company of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

A. Relevant Legal and Regulatory Requirements

The Listing Rules permit a company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by our Shareholders on 22 June 2017, a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) such number of Shares as will represent up to 10% of the number of shares of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to any exercise of the Over-allotment Option or the options which have been or may be granted under the Share Option Scheme), such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company, or (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or (iii) such mandate being revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”).

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association, the Companies Law, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from

time to time. Subject to the foregoing, such repurchases by our Company may only be made out of our Company's profits, our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a purchase over the par value of the Shares to be purchased must have been provided for out of either or both of the profits of our Company or our Company's share premium account. Subject to the provisions of the Companies Law, a repurchase of shares may also be made out of capital.

(iii) Trading Restrictions

A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Suspension of Repurchase

Pursuant to the Listing Rules, a listed company may not make any repurchases of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required by the Listing Rules); and (b) the deadline for a listed company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange unless the circumstances are exceptional.

(v) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose

details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vi) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “core connected person” (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company on the Stock Exchange.

B. Reasons for Repurchases

Our Directors believe that it is in our Company’s and our Shareholders’ best interests for our Directors to have general authority from the Shareholders to enable our Company to execute repurchases of the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

C. Funding of Repurchases

In repurchasing securities, a listed company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our Company’s current financial position as disclosed in this prospectus and taking into account our Company’s current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might have a material adverse effect on our Company’s working capital and/or our Company’s gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company’s working capital requirements or the gearing position which in the opinion of our Directors are from time to time appropriate for our Company.

D. General

Exercise in full of the current Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue and assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 100,000,000 Shares being repurchased by our Company during the Relevant Period.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules) have any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeover Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interests, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of Shares on the Stock Exchange. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the listing of the Shares on the Stock Exchange.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agrees to waive the Listing Rules requirements regarding the public shareholding referred to above. A waiver of this provision is not normally granted other than in exceptional circumstances.

No core connected person (as defined in the Listing Rules) of our Company has notified us that he or she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No repurchase of Shares has been made by our Company since its incorporation.

6. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:


- 1) the equity transfer agreement dated 29 March 2016 and entered into between New Lead, Mr. Liu, Liu Tianping, Jiranek Investments, Xiamen Shengtianji and Xiamen Shengying, pursuant to which Mr. Liu, Liu Tianping, Jiranek Investments, Xiamen Shengtianji and Xiamen Shengying agreed to transfer the entire equity interests in Xiamen Wofan to New Lead at an aggregate consideration of US\$892,307;
- 2) the Deed of Indemnity;
- 3) the Deed of Non-competition; and
- 4) the Public Offer Underwriting Agreement.

B. Our Intellectual Property Rights

As at the Latest Practicable Date, we had registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(i) Trademarks

As at the Latest Practicable Date, members of our Group have registered the following trademarks in the PRC, which are material to our business:

<u>No.</u>	<u>Trademark</u>	<u>Type and Class</u>	<u>Registered Owner</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Expiry Date/ Renewal Date</u>
1.		29	Xiamen Wofan	PRC	6443306	13 November 2019

As at the Latest Practicable Date, our Group has registered following trademark in Hong Kong, which are material to our business:

<u>No.</u>	<u>Trademark</u>	<u>Type and Class</u>	<u>Registered Owner</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Expiry Date/ Renewal Date</u>
1.		29	Our Company	Hong Kong	303668239	24 January 2026

(ii) Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names which are material to our business:

<u>Domain Name</u>	<u>Owner</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
xmwofan.com	Xiamen Wofan	27 November 2009	27 November 2017

Information contained in the above website does not form part of this prospectus.

(iii) Patents

As at the Latest Practicable Date, we had registered the following patents which are material to our business:

No.	Type	Patentee(s)	Patent No.	Place of Application	Patent Type	Expiry Date
1 . . .	A highly integrated fish processing preprocessor (一種高度集成的海魚加工預處理機)	Xiamen Wofan	ZL201520836179.4	PRC	Utility Model	27 October 2025
2 . . .	A mechanical semi-automatic seafood and small fish cleansing machine (一種機械半自動化海產小雜魚去鱗機)	Xiamen Wofan	ZL201520836370.9	PRC	Utility Model	27 October 2025
3 . . .	A new model low power consumption comprehensive fish cutting machine (一種新型低功耗全面剖魚機)	Xiamen Wofan	ZL201520836130.9	PRC	Utility Model	27 October 2025
4 . . .	A fishbone separator used for production of dried fish floss (一種用於生產魚松的魚刺分離機)	Xiamen Wofan	ZL201520836219.5	PRC	Utility Model	27 October 2025
5 . . .	A device for automatic weight classification for the fish (一種魚類重量自動分級裝置)	Xiamen Wofan	ZL201520836163.3	PRC	Utility Model	27 October 2025
6 . . .	A continuous spring brush scales removed machine (一種連續式彈簧刷去鱗機)	Xiamen Wofan	ZL201520836336.1	PRC	Utility Model	27 October 2025

As at the Latest Practicable Date, we had submitted the following application for patent registration which is material to our business:

No.	Type	Name of Applicant	Application number	Place of Application	Application Date
1. . .	A method for removing the kelp mucosa (一種去除海帶黏膜的方法)	Xiamen Wofan	201510719471.2	PRC	30 October 2015
2. . .	A method for processing the instant fragrance fillet (一種桂花香即食魚片的加工方法)	Xiamen Wofan	201510729451.3	PRC	2 November 2015
3. . .	A method for preparing seaweed and white fungus beverage (一種紫菜銀耳飲料的制備方法)	Xiamen Wofan	201510719470.8	PRC	30 October 2015

Save as disclosed above, there are no other trademarks, domain names, patents or other intellectual property rights which are material in relation to our business.

7. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

A. Disclosure of Interests

(i) *Disclosure of interests and short positions of our Directors and our chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations*

Immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which have been or may be granted under the Share Option Scheme), the interests or short positions of Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the

Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

(a) Long position in our Shares

<u>Name of Director</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares held/interested</u>	<u>Approximate percentage of shareholding</u> (%)
Mr. Liu	Interest in controlled corporation ^(Note 1)	525,000,000	52.5

Note:

- (1) Immediately after the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or issued pursuant to the options which have been or may be granted under the Share Option Scheme), Mr. Liu will hold 100% of the issued share capital of Precisely Unique, which in turn holds 525,000,000 Shares, representing 52.5% of the issued share capital of our Company. Mr. Liu is deemed, or taken to be interested in, all the Shares held by Precisely Unique for the purpose of the SFO.

(b) Long position in our associated corporations

<u>Name of associated corporation</u>	<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of shares in the associated corporation</u>	<u>Percentage of Shareholding in the associated corporation</u>
Precisely Unique	Mr. Liu	Beneficial owner	1	100%

(ii) *Disclosure of interests under the SFO and disclosure of interests for substantial shareholders*

So far as is known to any Director or chief executive of our Company, immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that have been or may be granted under the Shares Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which must be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Long position in our Shares

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares/underlying Shares held</u>	<u>Percentage of shareholding in our Company</u> (%)
Precisely Unique (Note 1)	Beneficial Interest	525,000,000	52.5
Jiranek Investments (Note 2)	Beneficial Interest	75,000,000	7.5
Rising Case (Note 3)	Beneficial Interest	75,000,000	7.5
Mr. Sun (Note 2)	Corporate interest	75,000,000	7.5
Liu Tianping (Note 3)	Corporate interest	75,000,000	7.5

Notes:

- (1) Precisely Unique is wholly owned by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in the Shares held by Precisely Unique.
- (2) Jiranek Investments is wholly owned by Mr. Sun. Accordingly, Mr. Sun is deemed to be interested in the Shares held by Jiranek Investments.
- (3) Rising Case is wholly owned by Mr. Liu Tianping. Accordingly, Mr. Liu Tianping is deemed to be interested in the Shares held by Rising Case.

As at the Latest Practicable Date, so far as is known to our Directors, other than our Company, no other persons were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries.

B. Directors' Service Contracts

Each of our executive Directors has entered into a service contract with our Company for a fixed term of three years commencing from 22 June 2017 which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other.

Each of our independent non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from 22 June 2017. Under their respective appointment letters, Ms. Cheng Shing Yan is entitled to a fixed Directors fee of HK\$150,000 per annum, where each of the remaining Independent Non-executive Directors is entitled to a fixed Director's fee of HK\$100,000 per annum. Their appointments are subject to termination in accordance with their respective terms.

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

C. Directors' Remuneration

Please refer to the section headed "Directors, Senior Management and Employees — Remuneration and Compensation of Directors and Senior Management" in this prospectus for further information on the Directors' remuneration.

There was no arrangement under which a Director waived or agreed to waive any remuneration for any of the years ended 31 December 2014, 2015 and 2016.

D. Agency Fees or Commission Received

Save as disclosed in this prospectus, no commissions, discounts, agency fees, brokerages or other special terms have been granted in connection with the issue or sale of any of our capital within the two years ended on the date of this prospectus.

E. Related-Party Transactions

During the two years preceding the date of this prospectus, we were engaged in related party transactions as described under note 31 to the Accountants' Report set out in Appendix I to this prospectus.

F. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors nor any of the persons listed in the subsection headed “— 9. Other Information — F. Qualifications of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) save in connection with the Underwriting Agreements, none of the persons listed in the subsection headed “— 9. Other Information — F. Qualifications of Experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) save for the Underwriting Agreements, none of the persons listed in the subsection headed “— 9. Other Information — F. Qualifications of Experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.

8. SHARE OPTION SCHEME

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme, which is in accordance with Chapter 17 of the Listing Rules and was adopted pursuant to the written resolutions of our Shareholders passed on 22 June 2017:

(a) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to the Eligible Participants (as defined in paragraph (b) below) with an opportunity to acquire the equity interests in our Company, for their contributions to, and continuing efforts to promote the interest of our Group or for such other purposes as our Board may approve from time to time, thus linking their interests with the interests of our Group and thereby inactivating, attracting and encouraging those parties to work better for the interests of our Group.

(b) Who may join

Our Board may, in its discretion, offer to grant options to subscribe for such number of Shares as our Board may determine at an exercise price determined in accordance with paragraph (c) below to the following eligible participants (“**Eligible Participants**”) (“**Offer**”):

- (i) the full-time or part-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company;
- (ii) the full-time or part-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of any of our subsidiaries;
- (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to our Company and/or any of our subsidiaries; and
- (iv) any other persons who, in the sole opinion of our Board, have contributed or will contribute to our Company and/or any of our subsidiaries.

(c) Subscription price

The subscription price of a Share in respect of any particular option granted under the IPO Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price shall at least be the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of Offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities (“**Business Day**”);

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of Offer (provided that the new issue price shall be used as the closing price for any Business Day falling within the period before the Listing Date where our Company has been listed for less than five Business Days as at the date of Offer); and

(iii) the nominal value of the Shares.

(d) Acceptance of Offer

Any Offer of option may be accepted, in whole or in part, in a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and in writing received by any director or the secretary of our Company on the date specified in the Offer provided that no such Offer shall be open for acceptance after the expiry of the Scheme Period (as defined in paragraph (j) below) or after the Share Option Scheme has been terminated in accordance with the rules thereof.

(e) Maximum number of Shares in respect of which options may be granted

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Group must not in aggregate exceed 10% of the total number of Shares in issue at the Listing Date (without taking into account any Shares that may be issued upon the full exercise of the Over-allotment Option), being 100,000,000 Shares ("**Limit**"). Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company) will not be counted for the purpose of calculating the Limit. Subject to the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, our Company may refresh the Limit by ordinary resolution of the Shareholders in general meeting at any time provided that:

- (i) the Limit as refreshed does not exceed 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting;
- (ii) the options previously granted under any existing schemes (including options outstanding, cancelled, lapsed in accordance with the relevant scheme rules or exercised options) will not be counted for the purpose of calculating the Limit as refreshed; and
- (iii) a circular containing the information and the disclaimer, respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules regarding the proposed refreshing of the Limit shall be despatched, also in compliance with Rule 17.06 of the Listing Rules, to the Shareholders together with the notice of the relevant general meeting.

Our Company may also with the approval of the Shareholders in general meeting grant options in respect of Shares in excess of the Limit (as refreshed from time to time) to Eligible Participants specifically identified by the Company before such approval is sought. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules. We will issue such a circular in compliance with Rule 17.06 of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, subdivision or reduction of the share capital of our Company but shall in no event exceed the 30% limit.

(f) Maximum entitlement of each Eligible Participant

The total number of Shares issued and which fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Group (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the Shares in issue as at the date of offer to grant.

Any further grant of options in excess of this 1% limit shall be subject to:

- (i) a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules;
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting; and
- (iii) the number and terms (including the subscription price) of such options are fixed before the general meeting of our Company at which the same are approved.

(g) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is also a proposed grantee of the option).

If our Company proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of offer of such grant:

- (i) 0.1% of the total number of Shares in issue at the relevant time of grant; and
- (ii) an aggregate value (based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant) in excess of HK\$5 million,

such further grant of options will be subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, and/or such other requirements prescribed under the Listing Rules from time to time.

(h) Restrictions on the times of grant of options

An offer to grant options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published by our Company. In particular, no options may be offered to be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified by our Company to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of the results announcement.

(i) *Rights are personal to option holder*

An option is personal to the option holder and is not transferable or assignable.

(j) *Exercise period and duration of the Share Option Scheme*

Subject to the rules of the Share Option Scheme, options may be exercised by an Eligible Participant, in whole or in part, at any time during the period commencing from the date of grant and such expiry date as determined by the Board in the Offer. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period commencing from the Listing Date and expiring on the business day preceding the tenth anniversary thereof (“**Scheme Period**”).

(k) *Performance target*

Unless otherwise determined by our Board and specified in the letter of the Offer Letter at the time of the date of the Offer, the grantee is not required to achieve any performance targets.

(l) *Rights of exercise for option holders*

In the event that the grantee ceases to be an Eligible Participant under the Share Option Scheme by reason of death or permanently disabled before exercising the option in full or at all, the option may be exercised up to the entitlement of such grantee by his personal representatives within twelve months after the date of his death or permanent disability or such longer period as our Board may determine.

Where the grantee of an outstanding option ceases to be an Eligible Participant for other reason save as aforesaid, the option may be exercised within one month after the date of such cessation, which date shall be his last actual working day with our Company or any subsidiary whether salary is paid in lieu of notice or not.

(m) *Discretion of our Board*

Notwithstanding the aforesaid in paragraph (l) above, in each case, our Board may in its absolute discretion decide that any option shall not so lapse or determine subject to such conditions or limitations as our Board may decide.

(n) *Rights on takeover and scheme of arrangement*

If a general offer by way of takeover is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, our Company shall forthwith notify all the grantees and any grantee (or his personal representatives) that they may by notice in writing to our Company within 21 days after such offer becoming or being declared unconditional exercise the option to its full extent or to the extent specified in such notice.

If a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith notify all the grantees and any grantee (or his personal representatives) that they may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the option to its full extent or to the extent specified in such notice.

(o) Rights on winding-up

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options at any time not later than four Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than one Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between our Company and our member or creditors

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or our amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice thereof to the grantee on the same date or soon after we despatch the notice to each of our member or creditor summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his options in full or in part, but the aforesaid exercise of an option shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective.

Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine.

(q) Ranking of Shares issued upon exercise of options

The Shares to be allotted and issued upon the exercise of an option will not carry voting rights until completion of the registration of the option holder (or any other person) as the Shareholder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation, as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration to the capital structure of our Company whilst any options remains exercisable, arising from capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price for the Share of each outstanding option and/or the method of exercise of the option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto. Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company (as interpreted in accordance with the Supplementary Guidance, for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. No adjustments shall be made to the exercise price or the number of Shares to the benefit of any Eligible Participant without the approval by ordinary resolution of the Shareholders. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. Any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(s) *Lapse of options*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (1) the date of expiry of the option period;
- (2) the date of lapse as provided in paragraphs (l), (n), (o) or (p) above;
- (3) the date on which the options are cancelled in accordance with paragraph (u) Below;
- (4) the date on which the grantee ceases to be an Eligible Participant by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an eligible participant, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty; and
- (5) the date on which the grantee commits a breach of paragraph (i).

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (i) any alteration to the advantage of the option holders or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting except where the proposed alteration takes effect automatically under the existing terms of the Share Option Scheme. Any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(u) *Cancellation of options*

Our Board may cancel an option granted but not exercised with the approval of the grantee of such option. No options may be granted to an Eligible Participant in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the Limit from time to time.

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or our Board may at any time terminate the Share Option Scheme and in such event no further options shall be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Share Option Scheme*

The Share Option Scheme shall be administered by our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of any such options which may be granted under the Share Option Scheme;
- (ii) the pass of the resolutions by the Shareholders to approve and adopt the Share Option Scheme and to authorise the Board to grant options under the Share Option Scheme and to allot and issue Shares pursuant to the exercise of any options; and
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

(y) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

9. OTHER INFORMATION**A. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

B. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees payable by us in respect of the Sole Sponsor's services as sponsor for the Listing is HK\$4.5 million.

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

C. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2016 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

D. Deed of Indemnity

Pursuant to the Deed of Indemnity given by each of our Controlling Shareholders in favour of our Company (and its subsidiaries) and conditional on the Listing, our Controlling Shareholders have agreed and undertaken to jointly and severally agree, covenant and undertake with each of the member of our Group that he/it will indemnify each of the members of our Group against taxation falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, acts, omissions, matters or things earned, accrued or received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date of the Listing.

However, the indemnities given by our Controlling Shareholders under the Deed of Indemnity do not cover, and our Controlling Shareholders shall be under no liability in respect of, any liability on taxation and taxation claim:

- (a) to the extent that provision has been made in the audited consolidated accounts of our Group or the audited accounts of any of the members of our Group for an accounting period ended on or before 31 December 2016; or
- (b) falling on any members of our Group in respect of any accounting period commencing on or after 31 December 2016 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, our Controlling Shareholders or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the Listing Date; or
- (c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practise thereof by any statutory or governmental authority (in Hong Kong, the PRC or elsewhere), including without limitation the Inland Revenue Department and the tax bureau of the PRC, having retrospective effect coming into force after the Listing Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Listing Date with retrospective effect; or
- (d) to the extent that such liability is discharged by another person who is not a member of our Group and that none of the member of our Group is required to reimburse such person in respect of the discharge of such liability; or
- (e) to the extent of any provision or reserve made for such liability in the audited accounts referred to in Clause (a) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries.

E. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (iv) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of any member of our Group;
 - (v) no founders, management or deferred shares of our Company or any of its subsidiaries has been issued or agreed to be issued;
- (b) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
 - (c) our Company has no outstanding convertible debt securities;
 - (d) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
 - (e) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (f) no company within our Group is presently listed on any stock exchange or traded on any trading system.

F. Qualifications of Experts

The following are the qualifications of experts who have opined or advised on information contained in this prospectus:

Name	Qualification
Dongxing Securities (Hong Kong) Company Limited	Licensed corporation under the SFO permitted to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Jingtian & Gongcheng	PRC Legal Advisers
BDO Limited	Certified public accountants
Conyers Dill & Pearman	Cayman attorneys-at-law
ASKCI Consulting Co., Ltd	Industry consultant

G. Consents of Experts

Each of Dongxing Securities, Jingtian & Gongcheng, BDO Limited, Conyers Dill & Pearman and ASKCI has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears. None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

H. Promoter

Our Company has no promoter for purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

I. Preliminary Expenses

The preliminary expenses incurred by our Company in respect of our incorporation were approximately US\$5,766 and were paid by our Company.

J. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of binding all persons concerned by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

K. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

The English text shall prevail over the Chinese text.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR PUBLIC INSPECTION IN HONG KONG

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — 6. Further Information about Our Business — A. Summary of Material Contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information — 9. Other Information — G. Consents of Experts” in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Winston & Strawn at 42/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the auditor’s report on the consolidated financial statements of our Group for the years ended 31 December 2014, 2015 and 2016 included in the Accountants’ Report prepared by the Reporting Accountants, the text of which can be found in Appendix I to this prospectus;
- (c) the report from the Reporting Accountants relating to our unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the PRC legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisers, in respect of certain aspects of our Group and our property interests in the PRC;
- (e) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser as to the laws of the Cayman Islands, summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
- (f) the ASKCI Report;
- (g) the Share Option Scheme;
- (h) the material contracts referred to in the section headed “Statutory and General Information — 6. Further Information about Our Business — A. Summary of Material Contracts” in Appendix IV to this prospectus;
- (i) the written consents referred to in the section headed “Statutory and General Information — 9. Other Information — G. Consents of Experts” in Appendix IV to this prospectus;
- (j) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information — 7. Further Information about our Directors and Substantial Shareholders — B. Directors’ Service Contracts” in Appendix IV to this prospectus; and
- (k) the Cayman Companies Law.



China Shenghai Food Holdings Company Limited

中國升海食品控股有限公司