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Application Proof of

Numans Health Food Holdings Company Limited
紐曼思健康食品控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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Numans Health Food Holdings Company Limited
紐曼思健康食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.001 per Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor and [REDACTED]



[REDACTED]

[REDACTED] [REDACTED]

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] and the [REDACTED], for themselves and on behalf of the [REDACTED], and our Company on the [REDACTED]. The [REDACTED] is expected to be on or before 12:00 noon on [REDACTED]. The [REDACTED] will be not more than HK$[REDACTED] and is currently expected to be not less than HK$[REDACTED] unless otherwise announced. If, for any reason, the [REDACTED] is not agreed by 12:00 noon on [Friday, [REDACTED]] between the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company, the [REDACTED] will not proceed and will lapse. In case of such event, a notice will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.numans.cc**.

The [REDACTED] and the [REDACTED], on behalf of the [REDACTED] may, with our consent, reduce the number of [REDACTED] in the [REDACTED] and/or the indicative [REDACTED] range below that stated in this document (which is HK$[REDACTED] to HK$[REDACTED] per Share) at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. Further details are set out in the sections headed "Structure and Conditions of the [REDACTED]" and "How to Apply for [REDACTED]" in this document.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document.

The obligations of the [REDACTED] under the [REDACTED] to subscribe for, and to procure applicants for the subscription for, the [REDACTED], are subject to termination by the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the day that trading in the [REDACTED] commences on the Stock Exchange. Such grounds are set out in the section headed "[REDACTED] — [REDACTED] — Grounds for termination" in this document. It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The [REDACTED] are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

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You should rely only on the information contained in this document to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the [REDACTED]. Information contained in our website at www.numans.cc does not form part of this document.

Page

EXPECTED TIMETABLE iii

CONTENTS vi

SUMMARY 1

DEFINITIONS 19

GLOSSARY OF TECHNICAL TERMS 32

FORWARD-LOOKING STATEMENTS 34

RISK FACTORS 36

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES 60

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED] 62

CONTENTS

Page

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED] 66

CORPORATE INFORMATION 70

INDUSTRY OVERVIEW 72

REGULATORY OVERVIEW 94

HISTORY, REORGANISATION AND GROUP STRUCTURE 124

BUSINESS 135

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES 260

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS 277

SHARE CAPITAL 281

SUBSTANTIAL SHAREHOLDERS 284

FINANCIAL INFORMATION 285

FUTURE PLANS AND USE OF [REDACTED] 369

[REDACTED] 374

STRUCTURE AND CONDITIONS OF THE [REDACTED] 387

HOW TO APPLY FOR [REDACTED] 398

APPENDIX I — ACCOUNTANTS' REPORT I-1

APPENDIX II — UNAUDITED [REDACTED] FINANCIAL INFORMATION ... II-1

APPENDIX III — SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW III-1

APPENDIX IV — STATUTORY AND GENERAL INFORMATION IV-1

APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY V-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are principally engaged in the marketing, sales and distribution of finished nutritional products in the PRC. We sell our nutritional products under our proprietary brands, namely "紐曼思" and "紐曼斯" (in English, "Nemans"), which can be broadly categorised into five main types, namely algal oil DHA, probiotics, vitamins, multi-nutrients and algal calcium products. Our business relies heavily on our brands. Our suppliers adopt an OEM model to manufacture and/or affix labels of our brands on our nutritional products.

We commenced to sell and distribute DHA products in 2007. We are a proprietary brand owner in the algal oil DHA segment in the maternal and children nutritional product industry in the PRC. We position our nutritional products as high quality nutritional products, targeting consumers ranging from pregnant and postpartum women, infants to children. In particular, the principal raw materials of our algal oil DHA products are supplied by DSM Group, which is a reputable overseas supplier, and we set the recommended retail price of our algal oil products at above RMB4.0 per DHA capsule. As a proprietary brand owner, we strive to target and market our nutritional products to customers in the PRC, who have increasing health and nutritional awareness.

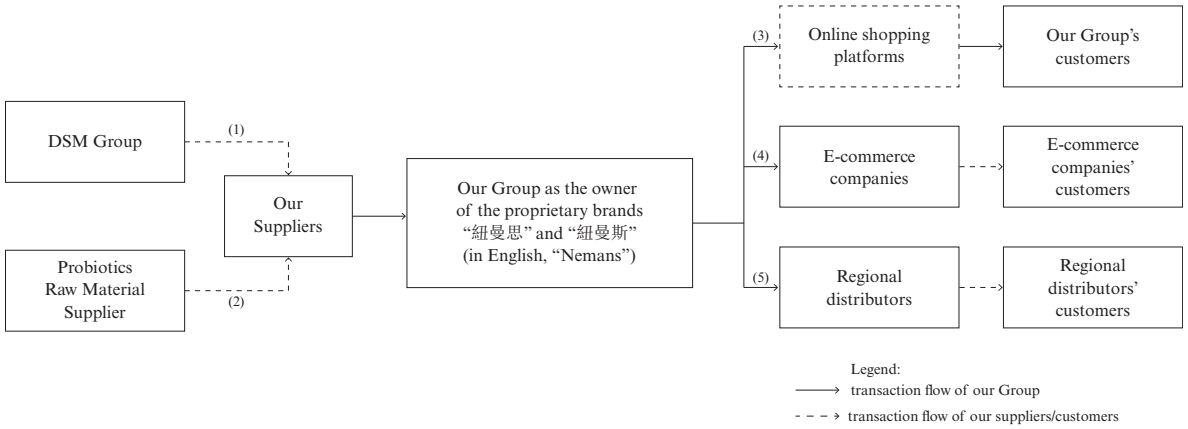
Our algal oil DHA products are our major products, which contributed to a substantial proportion of our revenue during the Track Record Period. For FY2021, FY2022, FY2023, 6M2023 and 6M2024, of our algal oil DHA products accounted for approximately 91.9%, 92.7%, 94.7%, 93.5% and 96.2% of our total revenue, respectively. According to Frost & Sullivan, the maternal and children algal oil DHA market in the PRC can be divided into products launched by international players and domestic players, where the products of domestic players can be further categorised into products with locally sourced and imported algal oil DHA raw materials. Domestic brands with imported algal oil DHA raw materials accounted for 28.5% of the total retail sales value of algal oil DHA products in the PRC in 2023, out of which we accounted for approximately 20.5% in 2023, ranking us the largest domestic brand in terms of retail sales value of algal oil DHA products made from imported raw materials. Leveraging on our success of our algal oil DHA products, we have been marketing other nutritional products such as probiotics, vitamins, multi-nutrients and algal calcium products.

We strive to offer nutritional products made from high quality and safe raw materials. To monitor the quality of our products, we require our suppliers for our algal oil DHA and probiotics products to use key raw materials supplied by DSM Group and the Probiotics Raw Material Supplier, which are reputable suppliers of nutritional products. Such key raw materials would then be processed into our finished nutritional products.

SUMMARY

OUR BUSINESS MODEL

The following diagram illustrates our business model regarding the sales of our major products, namely algal oil DHA and probiotics products, and our main sales channels:



Notes:

(1) We require our suppliers for our algal oil DHA products to use key raw materials supplied by DSM Group. For details of our purchases of finished algal oil DHA products, please refer to the paragraph headed "Business — Our Purchases — Procurement of products from our suppliers — Algal oil DHA products" in this document.

(2) We require our suppliers for our probiotics products to use key raw materials supplied by the Probiotics Raw Material Supplier. For details of our purchases of finished probiotics products, please refer to the paragraph headed "Business — Our Purchases — Procurement of products from our suppliers — Probiotics products" in this document.

(3) This represents our sales through online shopping platforms to our customers. For revenue recognition purpose, the customers ordering through the online shopping platforms are our customers.

(4) This represents our direct sales to e-commerce companies, which would on-sell our products on online shopping platforms to their customers. For revenue recognition purpose, the e-commerce companies are our customers.

(5) This represents our sales to regional distributors, which then distribute our products to pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors. For revenue recognition purpose, the regional distributors are our customers.

OUR PRODUCTS

During the Track Record Period and up to the Latest Practicable Date, we offered nutritional products, which can be broadly categorised into five main types, namely algal oil DHA, probiotics, vitamins, multi-nutrients and algal calcium products. Our nutritional products were sold under our brands "紐曼思" and "紐曼斯" (in English, "Nemans") during the Track Record Period. Our nutritional products mainly target pregnant and postpartum women, infants to children. During FY2022, FY2023 and, to a very limited extent, 6M2024, we also sold five milk powder products under the brands licensed by Ausnutria Group and derived insignificant revenue therefrom.

The following table sets forth the breakdown of our revenue, sales volume and average selling price by types of product during the Track Record Period:

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price
	RMB'000	*%*	*Unit '000*	*RMB/Unit*	*RMB'000*	*%*	*Unit '000*	*RMB/Unit*	*RMB'000*	*%*	*Unit '000*	*RMB/Unit*	*RMB'000*	*%*	*Unit '000*	*RMB/Unit*	*RMB'000*	*%*	*Unit '000*	*RMB/Unit*
													(unaudited)							
			(Notes (a) & (b))				*(Notes (a) & (b))*				*(Notes (a) & (b))*									
Algal oil DHA products	310,216	91.9	1,347	230.3	340,610	92.7	1,480	230.1	404,148	94.7	1,918	210.7	179,682	93.5	767	234.3	140,471	96.2	668	210.3
— New Zealand DHA Products	*247,305*	*73.2*	*1,061*	*233.1*	*240,136*	*65.4*	*1,019*	*235.7*	*289,093*	*67.7*	*1,401*	*206.3*	*133,691*	*69.6*	*548*	*244.0*	*89,538*	*61.3*	*436*	*205.4*
— U.S. DHA Products	*55,253*	*16.4*	*246*	*224.6*	*90,816*	*24.7*	*384*	*236.5*	*108,957*	*25.5*	*469*	*232.3*	*42,521*	*22.1*	*193*	*220.3*	*49,114*	*33.6*	*217*	*226.3*
— PRC DHA Products	*7,658*	*2.3*	*40*	*191.5*	*9,658*	*2.6*	*77*	*125.4*	*6,098*	*1.5*	*48*	*127.0*	*3,470*	*1.8*	*26*	*133.5*	*1,819*	*1.3*	*15*	*121.3*
Probiotics products	23,834	7.1	171	139.4	19,485	5.3	130	149.9	18,432	4.3	147	125.4	9,908	5.2	79	125.4	4,893	3.3	36	135.9
Vitamins products	1,837	0.5	23	79.9	1,025	0.3	24	42.7	690	0.2	17	40.6	394	0.2	10	39.4	223	0.2	5	44.6
Multi-nutrients products	1,311	0.4	18	72.8	2,011	0.6	24	83.8	1,207	0.3	16	75.4	678	0.4	9	75.3	208	0.1	3	69.3
Algal calcium products	410	0.1	10	41.0	538	0.1	13	41.4	236	0.1	6	39.3	236	0.1	6	39.3	—	—	—	—
Milk powder products	—	—	—	—	3,628	1.0	18	201.6	1,832	0.4	11	166.5	1,178	0.6	6	196.3	291	0.2	1	210.5
Total revenue	**337,608**	**100.0**	**1,569**		**367,297**	**100.0**	**1,689**		**426,545**	**100.0**	**2,115**		**192,076**	**100.0**	**877**		**146,086**	**100.0**	**713**	

Notes:

(a) Each unit is equivalent to a package of the respective product.

(b) The sales volume in respect of each product represents the aggregate number of units sold. For each unit sold, the specific product composition and number of product units per package may be different. The average selling price per unit of a particular product is simply an overall indicator determined by the sales volume of different mix of that product during the years/periods.

The following table sets forth the breakdown of gross profit and gross profit margin by product categories for the years/periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*
Algal oil DHA products	232,226	74.9	259,005	76.0	307,141	76.0	137,818	76.7	103,026	73.3
Probiotics products	11,445	48.0	9,984	51.2	10,704	58.1	6,396	64.6	1,448	29.6
Vitamins products	1,656	90.1	838	81.8	495	71.6	319	81.0	181	81.2
Multi-nutrients products	982	74.9	1,599	79.5	955	79.2	517	76.3	159	76.4
Algal calcium products	289	70.5	381	70.8	155	65.7	161	68.2	—	—
Milk powder products	—	—	1,383	38.1	1,417	77.3	343	29.1	149	51.2
Total gross profit/ overall gross profit margin	**246,598**	**73.0**	**273,190**	**74.4**	**320,867**	**75.2**	**145,554**	**75.8**	**104,963**	**71.9**

During the Track Record Period, our best-selling nutritional products were our algal oil DHA products, the revenue of which amounted to approximately RMB310.2 million, RMB340.6 million, RMB404.1 million, RMB179.7 million and RMB140.5 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively, accounting for approximately 91.9%, 92.7%, 94.7%, 93.5% and 96.2% of our total revenue, respectively, for the corresponding years/periods. During the Track Record Period, the sales volume of and thus the revenue from the sales of our algal oil DHA products that are processed overseas, namely New Zealand DHA Products and U.S. DHA Products, were significantly higher than that of our PRC DHA Products. Our Directors are of the view that this underlined the consumer behaviour that products using imported raw materials enjoy popularity among consumers in the maternal and children nutritional product industry in the PRC, according to Frost & Sullivan.

The increase in our revenue from sales of algal oil DHA products from approximately RMB310.2 million for FY2021 to approximately RMB340.6 million for FY2022 was mainly driven by our U.S. DHA Products, which was mainly driven by the significant increase in the sales value of cross-border imported DHA in 2022 as cross-border imported DHA products gained more popularity during the pandemic.

For FY2023, our revenue from sales of algal oil DHA products increased significantly to approximately RMB404.1 million from approximately RMB340.6 million for FY2022, which was mainly driven by the sharp growth in disposable income per capita and retail sales value of nutritional supplement industry in the PRC during 2023 as a result of the easing of COVID-19 in the PRC and the PRC government implementing significant consumption stimulus policies. In addition, we also benefited from the market reaction and heightened safety concerns driven by the release of radioactive water by Japan first started in August 2023, which triggered the consumers to stockpile DHA products that were manufactured before the release.

SUMMARY

For 6M2024, our revenue from sales of algal oil DHA products decreased to approximately RMB140.5 million from RMB179.7 million for 6M2023, which was mainly driven by (i) the effect of stockpiling behaviour by consumers due to the release of radioactive water by Japan in the second half of 2023 which dampened sales in 2024 as the nutritional supplement market faced reduced demand following the spike in 2023; (ii) the economic downturn in the PRC during the first half of 2024. As advised by Frost & Sullivan, the economic downturn had impacted on consumer confidence and spending habits, and as a result the nutritional supplement industry, alongside other non-essential consumer products industries, are directly hit by the economic slowdown as consumers tend to reserve their purchasing power for essential consumer products. Please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Revenue — Revenue by product types and sales channels" in this document for further details of our revenue by products during the Track Record Period.

SALES AND DISTRIBUTION

We have a diversified multi-channel sales network in the PRC consisting of both online and offline sales channels. Our online sales channels include popular online shopping platforms in the PRC such as JD.com, Tmall.com and VIP.com. We sell our products to e-commerce companies, which would on-sell our products on online shopping platforms to their customers, while we also sell our products through online shopping platforms to our customers. Apart from online sales channels, we also sell our products offline to regional distributors, which distribute our products principally to pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors. For further details, please refer to the paragraph headed "Business — Sales and distribution" in this document.

The following table sets forth the breakdown of our revenue, sales volume and average selling price by sales channels during the Track Record Period:

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price
	RMB'000	*%*	*Unit '000 (Notes (a) & (b))*	*RMB/Unit*	*RMB'000*	*%*	*Unit '000 (Notes (a) & (b))*	*RMB/Unit*	*RMB'000*	*%*	*Unit '000 (Notes (a) & (b))*	*RMB/Unit*	*RMB'000 (unaudited)*	*%*	*Unit '000*	*RMB/Unit*	*RMB'000*	*%*	*Unit '000*	*RMB/Unit*
Online sales channels:																				
Direct sales to e-commerce companies	166,135	49.2	709	234.3	194,838	53.1	844	230.9	236,930	55.5	1,002	236.5	106,176	55.3	446	238.1	95,092	65.1	410	231.9
Sales through online shopping platforms to our customers	50,312	14.9	154	325.2	48,347	13.2	151	319.0	56,467	13.2	174	324.5	23,593	12.3	73	322.0	15,305	10.5	47	325.6
Others *(Note c)*	—	—	—	—	—	—	—	—	18,130	4.3	294	61.7	2,604	1.3	19	137.1	7,453	5.1	91	81.9
Sub-total	216,447	64.1	863	250.8	243,185	66.3	995	244.4	311,527	73.0	1,470	211.9	132,373	68.9	538	246.0	117,850	80.7	548	215.1
Offline sales channels:																				
Sales to regional distributors	115,665	34.3	686	168.6	114,759	31.2	662	173.4	108,523	25.4	624	173.9	53,735	28.0	319	168.4	26,413	18.1	158	167.2
Others *(Note c)*	5,496	1.6	20	274.8	9,353	2.5	32	292.3	6,495	1.5	21	310.8	5,968	3.1	20	298.4	1,823	1.2	7	260.4
Sub-total	121,161	35.9	706	171.6	124,112	33.7	694	178.8	115,018	27.0	645	178.4	59,703	31.1	339	176.1	28,236	19.3	165	171.1
Total revenue	**337,608**	**100.0**	**1,569**		**367,297**	**100.0**	**1,689**		**426,545**	**100.0**	**2,115**	**201.7**	**192,076**	**100.0**	**877**		**146,086**	**100.0**	**713**	**204.9**

Notes:

(a) Each unit is equivalent to a package of our product.

(b) The sales volume in respect of each product represents the aggregate number of units sold. For each unit sold, the specific product composition and number of product units per package may be different. The average selling price per unit of a particular product is simply an overall indicator determined by the sales volume of different mix of that product during the years/periods.

(c) Others include direct sales to retail outlets and miscellaneous sales.

The following table further sets forth the breakdown of gross profit and gross profit margin by sales channels for the years/periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000* (unaudited)	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*
Online sales channels:										
Direct sales to e-commerce companies	125,839	75.7	147,743	75.8	188,834	79.5	83,125	78.3	71,845	75.6
Sales through online shopping platforms to our customers	40,598	80.8	40,305	83.4	48,091	85.2	19,317	81.9	12,572	82.1
Others *(Note)*	—	—	—	—	1,280	12.8	1,609	61.8	2,473	33.2
Sub-total	166,437	76.9	188,048	77.3	238,205	77.3	104,051	78.6	86,890	73.7
Offline sales channels:										
Sales to regional distributors	75,756	65.5	77,517	67.5	77,296	68.9	36,832	68.5	16,671	63.1
Others *(Note)*	4,405	80.1	7,625	81.5	5,366	82.8	4,671	78.3	1,402	76.9
Sub-total	80,161	66.2	85,142	68.6	82,662	69.7	41,503	69.5	18,073	64.0
Total	**246,598**	**73.0**	**273,190**	**74.4**	**320,867**	**75.2**	**145,554**	**75.8**	**104,963**	**71.9**

Note: Others include direct sales to retail outlets and miscellaneous sales.

For FY2021, FY2022, FY2023, 6M2023 and 6M2024, the majority of our revenue was derived from (i) sales attributable to online sales channels (including direct sales to e-commerce companies and sales through online shopping platforms to our customers), such revenue amounted to approximately RMB216.4 million, RMB243.2 million, RMB311.5 million, RMB132.4 million and RMB117.9 million, respectively, representing approximately 64.1%, 66.3%, 73.1%, 68.9% and 80.7% of our total revenue, respectively; and (ii) sales to regional distributors, such revenue amounted to approximately RMB115.7 million, RMB114.8 million, RMB108.5 million, RMB53.7 million and RMB26.4 million, respectively, accounting for approximately 34.3%, 31.2%, 25.4%, 28.0% and 18.0% of our total revenue, respectively.

OUR CUSTOMERS

During the Track Record Period, our products were generally distributed in the PRC and we mainly sold our products to e-commerce companies, regional distributors as well as customers through online shopping platforms. For FY2021, FY2022, FY2023 and 6M2024, revenue from our five largest customers for each year/period during the Track Record Period, accounted for approximately 64.2%, 68.3%, 65.6% and 74.4% of our total revenue, respectively, and our revenue from our largest customer for each year/period during the Track Record Period accounted for approximately 22.6%, 28.4%, 32.2%, 34.2% of our total revenue, respectively. For further details of our five largest customers for each year/period during the Track Record Period, please refer to the paragraph headed "Business — Our customers" in this document.

OUR REGIONAL DISTRIBUTORS

Our regional distributors can be divided into three types, namely (i) Type A regional distributors which we expect to have relatively higher sales capabilities and are authorised to promote and distribute our products exclusively but only in their designated distribution regions which are generally first, new first and second-tier cities in the PRC; (ii) Type B regional distributors which we expect to have moderate sales capabilities and are authorised to promote and distribute our products only in their designated distribution regions which are mainly second and third-tier cities in the PRC; and (iii) Type C regional distributors which are authorised to promote and distribute our products in all regions in the PRC except the regions designated to Type A regional distributors. For further details, please refer to the paragraph headed "Business — Sales and distribution — (ii) Regional distributors" in this document.

OUR SUPPLIERS

Our suppliers mainly include (i) suppliers of finished algal oil DHA products, probiotics products, vitamin products, algal calcium products and milk powder products, which were established in the PRC, the U.S. and Hong Kong; (ii) a packaging service provider established in the PRC; and (iii) suppliers of raw materials including algal oil DHA and multi-nutrients, which were established in the PRC. For FY2021, FY2022, FY2023 and 6M2024, purchases from our five largest suppliers for each year/period during the Track Record Period accounted for approximately 90.7%, 92.7%, 94.3% and 92.4% of our total purchases, respectively, and our purchases from our largest supplier for each year/period during the Track Record Period accounted for approximately 56.8%, 42.6%, 49.6% and 48.5% of our total purchases, respectively. For further details of our five largest suppliers for each year/period during the Track Record Period, please refer to the paragraph headed "Business — Our suppliers" in this document.

PRICING POLICY

The price that we offer to our customers is determined by us based on factors including the procurement costs of our raw materials and finished products, the expected profit margins and level of sales, the channel in which we sell and distribute our products, sales and marketing cost, and perceived market demands. Our selling price to our customers which are e-commerce companies and regional distributors is determined by us based on factors such as the years of relationship and negotiation between our Group and them, the quantity of the products being purchased by them and the market trend, which is usually based on a discount to the reference retail price of our products. We have set a reference retail price for each of our products as pricing guideline for sales from regional distributors to retail customers.

COMPETITIVE LANDSCAPE

According to Frost & Sullivan, the maternal and children algal oil DHA market in the PRC can be divided into products launched by international players and domestic players, where the products of domestic players can be further categorised into products with locally sourced and imported algal oil DHA raw materials. Domestic brands with imported algal oil DHA raw materials accounted for 28.5% of the total retail sales value of algal oil DHA products in the PRC in 2023, out of which we accounted for approximately 20.5% in 2023, ranking us the largest domestic brand in terms of retail sales value of algal oil DHA products made from imported raw materials.

In the maternal and children algal oil DHA industry in the PRC, there are currently around 100 participants which comprise international players and domestic players made from algal oil DHA raw material supplied by overseas suppliers and those supplied by domestic suppliers. Regarding maternal and children algal oil DHA products made from raw material supplied by overseas suppliers among domestic brands in the PRC, the market was shared by approximately 35 players with a limited number of sizable market players, and was considered concentrated for FY2023 in terms of retail sales value. The maternal and children probiotics industry in the PRC is becoming increasingly competitive, with a growing number of companies entering the market. Such market is relatively fragmented with approximately 120 players which have a limited number of sizable market players.

We believe that our long history and established reputation in the industry, high product quality together with our established and diversified sales and distribution network distinguish us from our competitors. Please refer to the section headed "Industry Overview" and the paragraph headed "Business — Competition" in this document for further details on the competitive landscape, growth and entry barriers of the maternal and children algal oil DHA and probiotics industry in the PRC.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths including: (i) we have an established market positioning and high degree of brand recognition; (ii) we have a diversified sales and distribution network in the PRC; (iii) we strategically select our suppliers of the key raw materials to be used in our nutritional products; and (iv) we have an experienced and dedicated management team with extensive industry experience. For further details, please refer to the paragraph headed "Business — Our competitive strengths" in this document.

BUSINESS STRATEGIES

Our business objectives are to achieve sustainable growth, increase our market share and strengthen our market position in the nutritional product market in the PRC. In furtherance of these objectives, we plan to adopt the following strategies: (i) intensify our marketing efforts through different marketing means to enhance public awareness of our brands; and (ii) promotion of our products in Hong Kong and expansion of our sales network to Hong Kong. For further details, please refer to the paragraph headed "Business — Our business strategies" in this document.

RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk Factors" in this document before making any investment decision in the [REDACTED]. Some of the more particular risk factors include the following: (i) we are exposed to concentration risk of sales of finished algal oil DHA products; (ii) we are exposed to concentration risk of our suppliers for the supply of nutritional products; (iii) we do not have absolute control over the quality of the finished algal oil DHA products supplied by Shanghai Trilives and Confidence Group to us; (iv) we are exposed to concentration risk of DSM Group to supply its algal oil DHA raw materials to our suppliers for our finished algal oil DHA products; (v) we may not be able to adequately protect our intellectual property rights and we are involved in intellectual property proceedings as at the Latest Practicable Date; and (vi) we rely on online sales channels to sell and distribute our products.

SUMMARY OF KEY FINANCIAL INFORMATION

Summary of the consolidated statements of profit or loss

	FY2021	**FY2022**	**FY2023**	**6M2023**	**6M2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	337,608	367,297	426,545	192,076	146,086
Gross profit	246,598	273,190	320,867	145,554	104,963
Losses relating to milk powder products	—	(81,477)	5,468	—	160
Profit before tax	154,125	98,413	194,621	91,181	51,699
Profit for the year/period	119,670	87,522	159,344	77,258	45,281

The increase in our revenue and gross profit during the Track Record Period was mainly contributed by the increase in revenue from the sales of algal oil DHA products. Our overall gross profit margin remained relatively stable at approximately 73.0%, 74.4%, 75.2%, 75.8% and 71.9% for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. The decrease in our profit for the year from approximately RMB119.7 million for FY2021 to approximately RMB87.5 million for FY2022 was mainly attributable to the non-recurring incidental losses on assets arising from the sales of milk powder products of approximately RMB81.5 million recognised during FY2022, the details of which are disclosed below. The significant increase in our profit for the year from approximately RMB87.5 million for FY2022 to approximately RMB159.3 million for FY2023 was mainly due to (i) the increase in revenue from sales of our algal oil DHA products; and (ii) the impact of losses relating to milk powder products for FY2022. The decrease in our profit for the period from approximately RMB77.3 million for 6M2023 to approximately RMB45.3 million was mainly due to (i) the decrease in revenue from sales of algal oil DHA products; and (ii) the increase in our promotion expenses during 6M2024 in light of the low market sentiment of the maternal and children algal oil DHA market in the PRC during 6M2024.

For detailed analysis of our results of operations, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss" in this document.

Non-recurring loss relating to milk powder products

During FY2022, FY2023 and, to a very limited extent, 6M2024, we sold milk powder products under the brands licensed by Ausnutria Group (the "**Milk Powder Brands**"), which were purchased from Ausnutria Group. Our milk powder products comprised five products, including Infant Formula, Stage 1 ("**Stage 1 Formula**") and four other non-Stage 1 Formulas. The five milk powder products were imported from Australia and New Zealand. Subsequent to our entering into the agreements with Ausnutria Group in December 2021 under which we were subject to minimum purchase commitment, in April 2022, Ausnutria Group was fined for approximately RMB9.6 million by the SAMR after a batch of Stage 1 Formula (but not the non-Stage 1 Formulas) manufactured back in February 2020 was found to contain vanillin (香蘭素) during a sample testing conducted by the SAMR, which was against the national food safety standard of the PRC (the "**Incident**"). The Stage 1 Formula we purchased from Ausnutria Group was not the batch which was found to contain vanillin.

Despite our efforts in marketing and promotion, the sales of our milk powder products was way lower than our expectation due to a series of unforeseen events, including (i) the outbreak of COVID-19 in the PRC leading to prolonged lockdowns during FY2022; (ii) the effect of negative publicity of the Incident was more severe than expected; (iii) the massive outbreak of COVID-19 in the PRC in late 2022; and (iv) the implementation of new national food safety standard of the PRC for milk powder products in February 2023. In November 2022, we entered into a supplemental agreement with Ausnutria Group, pursuant to which, among others, Ausnutria Group agreed to waive our minimum purchase commitment for 2022 and 2023, save that our Group was required to fulfil our purchase orders already placed in January and May 2022.

In October 2023, our Group and Ausnutria Group reached an agreement to terminate all of our agreements with Ausnutria Group relating to milk powder products. Our Directors are of the view that the Incident was an isolated event, and that the unsatisfactory sales performance of our milk powder products was attributable to a series of unforeseen events which were beyond our control. As a result of our purchase commitment with Ausnutria Group, combined with the low sales volume of our milk powder products, we incurred losses of approximately RMB81.5 million for FY2022, of which, (i) we fully wrote down our expired milk powder products in our inventories amounting to approximately RMB17.7 million; (ii) we recognised a provision for inventories loss on milk powder products amounting to approximately RMB20.7 million; (iii) we recognised a provision for loss allowance on deposits paid to Ausnutria Group for fulfilling a portion of our purchase commitment amounting to approximately RMB20.1 million; (iv) we recognised a provision of approximately RMB18.0 million which included the amount to be paid for the milk powder products of approximately RMB13.0 million and the potential compensation to Ausnutria Group amounting to approximately RMB5.0 million in respect of cost incurred by Ausnutria Group for acquiring raw materials for scheduled product of milk powder products; and (v) we recognised a reversal of input VAT of approximately RMB5.0 million.

For details of the losses relating to the sales of milk powder products, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Other losses, net — Losses relating to milk powder products" in this document.

Adjusted net profit (non-HKFRS measure)

We defined adjusted net profit (Non-HKFRS measure) as net profit for the year adjusted by adding back [REDACTED] expenses. The table below sets forth the adjusted net profit (non-HKFRS measure) and the adjusted net profit margin (non-HKFRS measure) for each respective year during the Track Record Period:

	FY2021	**FY2022**	**FY2023**	**6M2023**	**6M2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit for the year/period	119,670	87,522	159,344	77,258	45,281
Adjusted:					
[REDACTED] expenses	10,722	5,951	12,951	5,842	5,317
Adjusted net profit (Non-HKFRS measure) for the year	**130,392**	**93,473**	**172,295**	**83,100**	**50,598**
Adjusted net profit margin (Non-HKFRS measure) (%)	**38.6%**	**25.4%**	**40.4%**	**43.3%**	**34.6%**

Summary of the consolidated statements of financial position

	As at 31 December			**As at 30 June**
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	9,045	39,979	30,776	31,054
Current assets	279,767	363,602	439,241	471,792
Current liabilities	86,088	151,678	56,516	41,616
Non-current liabilities	200	4,663	3,425	3,024
Net current assets	193,679	211,924	382,725	430,176
Net assets	202,524	247,240	410,076	458,206

The significant increase in our non-current assets during FY2022 was mainly driven by (i) the increase in our intangible assets which was mainly due to the acquisition of a patent during FY2022; (ii) the increase in our right-of-use assets which was mainly due to the renewal of three offices and additions of two warehouses during FY2022; and (iii) the increase in our deferred tax assets which were mainly attributable to (a) the incidental losses on assets arising from sales of milk powder products; and (b) tax losses. Our net current assets increased over the Track Record Period, which was mainly contributed by our net cash generated from operating activities and the increase in our working capital, and partially offset by our provisions and dividends payables. For detailed analysis of our net current assets, please refer to the paragraph

headed "Financial Information — Net current assets" in this document. Our net assets increased over the Track Record Period, which was mainly contributed by our net profit, offset by the dividends we declared.

Summary of the consolidated statements of cash flows

	FY2021	**FY2022**	**FY2023**	**6M2023**	**6M2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from operating activities	93,994	44,309	150,568	69,497	32,193
Net cash (used) in/generated from investing activities	(519)	(4,139)	1,572	659	459
Net cash used in financing activities	(29,306)	(8,555)	(83,786)	(1,869)	(1,758)
Net increase in cash and cash equivalents	64,169	31,615	68,354	68,287	30,894
Cash and cash equivalents at beginning of the year/period	92,757	152,656	192,838	192,838	262,560
Effect of exchange rate changes, net	(4,270)	8,567	1,368	1,913	2,153
Cash and cash equivalents at end of the year/period	152,656	192,838	262,560	263,038	295,607

We recorded net cash generated from operating activities for all years presented, which was mainly attributable to our net profit during the Track Record Period. The net cash used in financing activities for FY2021 and FY2023 was mainly driven by our dividends paid. For detailed analysis of our cash flows, please refer to the paragraph headed "Financial Information — Liquidity and capital resources — Cash flows of our Group" in this document.

Key financial ratios

	As at/For the years ended 31 December			**As at/For the six months ended 30 June**
	2021	**2022**	**2023**	**2024**
Gross profit margin	73.0%	74.4%	75.2%	71.9%
Net profit margin	35.4%	23.8%	37.4%	31.0%
Return on equity	59.1%	35.4%	38.9%	19.8%
Return on total assets	41.4%	21.7%	33.9%	18.0%
Current ratio	3.3	2.4	7.8	11.3
Quick ratio	3.0	1.9	6.7	9.8
Gearing ratio	0.6%	3.0%	1.4%	1.3%
Interest coverage	1,318.3 times	263.4 times	587.2 times	360.0 times

The decrease in our net profit margin and return on equity for FY2022 and the decrease in our current ratio as at 31 December 2022 was mainly driven by the non-recurring incidental losses on assets arising from the sales of milk powder products. For detailed analysis of our financial ratios, please refer to the paragraph headed "Financial Information — Selected financial ratios" in this document.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR GROUP

The outbreak of COVID-19 was first reported in December 2019 and expanded across the PRC and globally. On 11 March 2020, it was declared by the World Health Organization that COVID-19 can be characterised as a pandemic due to rapid increase in the number of cases outside the PRC. Since 2020, governments around the world have implemented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns to mitigate the spread of the COVID-19 pandemic.

Impact on our business operations

As our office and warehouses are located in Shanghai, the PRC, all of our staff were required to work from home in March to June 2022, and delivery of our products was suspended during such period. Regarding work from home arrangement, considering that our business model is not labour intensive, our Directors are of the view that this had no material impact on our operation. Regarding suspension of delivery of our products, our Directors consider that the impact was mitigated taking into account the suspension was only temporary and our Group did not otherwise experience material delay in delivery during the Track Record Period.

During the Track Record Period, our Group did not experience substantial shortage of supply of products from our suppliers. During the Track Record Period, we closely monitored the potential impact of lockdown on our inventory level and adjusted our purchase strategy. For example, during FY2022, we significantly increased our purchase of algal oil DHA products due to the large-scale lockdown in Shanghai for COVID-19 outbreak in 2022 to cater for the then uncertainty in terms of supply and timing of delivery for our purchases in respect of algal oil DHA products. In addition, during the Track Record Period, due to travelling restrictions imposed by the relevant governments in response to COVID-19, our managers were unable to physically attend the premises of our overseas suppliers and processing companies for quality control inspection. Instead, our management maintained communications with our overseas suppliers to monitor the processing of our nutritional products. In 2023, after the lifting of COVID-19 travel restrictions, our general manager resumed physical inspection of our overseas suppliers and the processing companies of our nutritional products in New Zealand and the U.S.

Impact on our financial performance and conditions

Our Directors are of the view that the outbreak of COVID-19 had no material adverse impact on our financial performance and conditions. For instance, the sales volume of our algal oil DHA products, our best-selling nutritional products, increased throughout the Track Record Period, from approximately 1.3 million units for FY2021 to approximately 1.5 million units for FY2022 to approximately 1.9 million units for FY2023. Furthermore, our current ratio and quick ratio at each reporting period throughout the Track Record Period were well above 1.0.

Save as disclosed above and based on the information available to our Group as at the Latest Practicable Date, our Directors confirm that the COVID-19 pandemic did not and is not expected to have any material adverse impact on our business operations and financial performance and conditions.

CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the Capitalisation Issue, and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, Far-East Fortune will directly hold [REDACTED]% of the issued share capital of our Company. Far-East Fortune is wholly owned as to 91% by Mr. Wang, being our founder and our executive Director, Chairman and Chief Executive Officer, and as to 9% by Ms. Cui, being our executive Director and spouse of Mr. Wang. Each of Far-East Fortune, Mr. Wang, and Ms. Cui is regarded as a Controlling Shareholder of our Company under the Listing Rules, and they are collectively regarded as a group of Controlling Shareholders. For further details about our Controlling Shareholders, please refer to the section headed "Relationship with our Controlling Shareholders" in this document.

[REDACTED] STATISTICS

Number of the [REDACTED]	:	[REDACTED] Shares (subject to the [REDACTED])
[REDACTED]	:	Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)

	Based on an [REDACTED] of HK$[REDACTED] Per [REDACTED] *HK$*	**Based on an [REDACTED] of HK$[REDACTED] Per [REDACTED]** *HK$*
[REDACTED] *(Note 1)*	[REDACTED]	[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share *(Note 2)*	[REDACTED]	[REDACTED]

Notes:

1. The calculation of the [REDACTED] of the Shares is based on the [REDACTED] Shares in issue and to be issued immediately after completion of the [REDACTED], without taking into account of any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme or Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate and the repurchase mandate.

2. The calculation of the unaudited [REDACTED] adjusted consolidated net tangible assets per Share is based on [REDACTED] Shares expected to be in issue after the completion of the Capitalisation Issue and the [REDACTED]. It has not taken into account of any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme or the [REDACTED], or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates.

[REDACTED]

We have submitted a filing to the CSRC for application of [REDACTED] of the Shares on the Stock Exchange and the [REDACTED] on 1 January 2024, and obtained [REDACTED] (the "**Notice**") from the CSRC on 27 June 2024, indicating that we have completed the filing application. A copy of the Notice can be found on the official website of the CSRC. As advised by our PRC Legal Advisers, our Company has completed all necessary filings with the CSRC in the PRC in relation to the [REDACTED] and the [REDACTED].

[REDACTED] EXPENSES

The total amount of [REDACTED] expenses in connection with the [REDACTED], including [REDACTED], is estimated to be approximately RMB[REDACTED] (equivalent to approximately HK$[REDACTED]) (based on an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range), representing approximately [REDACTED]% of our estimated gross proceeds from the [REDACTED] (based on an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range, and assuming the [REDACTED] Option is not exercised). The [REDACTED] expenses of: (i) approximately RMB[REDACTED] million (equivalent to approximately HK$[REDACTED]) is directly attributable to the issue of the [REDACTED] and is to be accounted for as a deduction from equity in accordance with the relevant financial reporting standard; and (ii) approximately RMB[REDACTED] (equivalent to approximately HK$[REDACTED]) has been or is to be charged to the consolidated statements of profit or loss, of which (a) approximately RMB14.4 million has been charged in profit or loss prior to the Track Record Period; (b) approximately RMB10.7 million, RMB6.0 million, RMB13.0 million and RMB5.3 million have been charged in profit or loss for FY2021, FY2022, FY2023 and 6M2024, respectively; and (c) approximately RMB[REDACTED] is expected to be charged prior to or upon [REDACTED]. Expenses in relation to the [REDACTED] are non-recurring in nature.

LEGAL PROCEEDINGS

Given the importance of the Core Trademarks, our Group looks into the products sold in the markets with a view to preventing similar products from being sold in the market by other competitor(s) under similar brands of our Group's that would otherwise confuse the customers. Since 2017, our Group has been involved in legal proceedings with certain competitors, notably, Company X and Company Y, regarding some of our Core Trademarks. In addition to civil litigation proceedings, our Group has also been involved in certain administrative proceedings in connection with our trademarks. For details, please refer to the paragraph headed "Business — Legal proceedings" of this document. Up to the Latest Practicable Date, we have been successfully protecting and defending our use of the Core Trademarks.

In July 2024, Company Z, a company whose shares are listed on the Shenzhen Stock Exchange, instigated legal proceedings against us, among others. Company Z alleged that one of our distributors used the wording "金標藻油", which Company Z claimed to have an exclusive right to use, on an e-commerce platform including hyperlinks to our products. It is estimated that the court will conclude the pre-trial mediation by the first quarter of 2025 and if trial is to be held, the judgment may be laid down in 2025. For further details of the said proceeding, please also refer to he paragraph headed "Business — Legal proceedings" of this document.

DIVIDENDS

As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account of factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

For FY2021 and FY2022, we declared dividends of approximately RMB61.0 million and RMB51.0 million, respectively, all of which had been settled as at the Latest Practicable Date. Currently, we do not have a formal dividend policy or a pre-determined dividend distribution ratio.

FUTURE PLAN AND USE OF [REDACTED]

We estimate that the [REDACTED] from the [REDACTED] (after deducting [REDACTED] fees and related [REDACTED] expenses payable by us in connection with the [REDACTED], assuming that the [REDACTED] is not exercised and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative range of the [REDACTED]) will be approximately HK$[REDACTED]. We intend to apply the [REDACTED] as follows: (i) approximately [REDACTED]% or HK$[REDACTED] will be used to increase our marketing efforts through different marketing means to enhance public awareness of our brands; and (ii) approximately [REDACTED]% or HK$[REDACTED] will be used for promoting our products in Hong Kong and expansion of our sales network to Hong Kong.

RECENT DEVELOPMENT

Throughout the Track Record Period, our revenue generated from our online sales channel increased both in terms of amount and proportion to our total revenue. Our Directors believe that online sales channel is a cost-effective and efficient sales channel that enables our products to reach and build up a large customer base. Leveraging on the extensive coverage of and convenience brought by the internet and the evolving means of online sales channels in the PRC, our Group gradually tapped into selling and distributing our nutritional products to private domain distributors.

SUMMARY

Our Directors confirm that, save for the expenses in connection with the [REDACTED], up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 30 June 2024, and there had been no events since 30 June 2024 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report.

DEFINITIONS

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

"Accountants' Report"	the accountants' report set out in Appendix I to this document
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong (formerly known as the Financial Reporting Council of Hong Kong)
"algal oil DHA product(s)"	algal oil DHA products which use algal oil DHA supplied by DSM Group
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on [•] 2024 and effective on the [REDACTED], a summary of which is set out in Appendix III to this document, as amended or supplemented from time to time
"Audit Committee"	the audit committee of the Board
"Aumay Dairy"	Shanghai Aumay Dairy Company Limited* (上海澳美澳乳業有限公司), a limited liability company established under the laws of PRC on 9 November 2017 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
"Ausnutria Group"	Ausnutria Group consists of a group of companies, the holding company of which, namely, Ausnutria Dairy Corporation Ltd (stock code: 1717), is listed on the Main Board of the Stock Exchange. Ausnutria Group was a supplier of our milk powder products during the Track Record Period and an independent third party
"Beijing Aomei Xingchen"	Beijing Aomei Xingchen Technology and Trade Co., Ltd.* (北京澳美星辰科貿有限公司), a limited liability company established under the laws of the PRC. Beijing Aomei Xingchen was one of our five largest regional distributors during the Track Record Period and an independent third party
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands

[REDACTED]	[REDACTED]
"Capitalisation Issue"	the issue of [REDACTED] Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the paragraph headed "Statutory and General Information — 1. Further information about our Group — 1.3. Resolutions in writing of our sole Shareholder passed on [•] 2024" in Appendix IV to this document
[REDACTED]	[REDACTED]
"CFDA"	China Food and Drug Administration of the PRC* (中華人民共和國國家食品藥品監督管理局), which was integrated into SAMR pursuant to the Circular of the State Council on Establishment of Institutions* (國務院關於機構設置的通知) (Guo Fa 2018 No.6) issued by the State Council on 22 March 2018
"Chairman"	Mr. Wang, the chairman of our Board
"Chief Executive Officer"	Mr. Wang, the chief executive officer of our Company
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies Act"	the Companies Act (as Revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	Numans Health Food Holdings Company Limited 紐曼思健康食品控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 21 January 2019
"Confidence Group"	Confidence Group consists of two companies incorporated in the U.S., namely Confidence International, Inc. and Confidence USA, Inc., which are under common control and management. Confidence Group was a supplier of our U.S. DHA Products during the Track Record Period and an independent third party
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, means Mr. Wang, Ms. Cui and Far-East Fortune

"Core Trademarks"	those trademarks which were registered by us and applied on our product packaging and promotional materials, including in particular the trademarks bearing our proprietary brand "紐曼思" and "Nemans" which are applied on the packaging and promotional materials of our algal oil DHA products
"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 [•] 2024 and executed by our Controlling Shareholders in favour of our Company and our subsidiaries to provide certain indemnities, particulars of which are set out in the paragraph headed "Statutory and General Information — 4. Other information — 4.1. Estate duty, tax and other indemnities" in Appendix IV to this document
[REDACTED]	[REDACTED]
"Directors(s)" or "our Director(s)"	the director(s) of our Company
"DSM Group"	company/(ies) belonging to a group of which Koninklijke DSM N.V. is the holding company, being an Euronext Amsterdam listed company principally engaging in providing solutions in respect of pharmaceuticals, early life nutrition and dietary supplements such as vitamins, carotenoids, omega-3 and 6 lipids and nutraceutical ingredients etc. with market coverage in more than 60 countries such as the PRC, North America, India, Brazil, etc. DSM Group was the supplier of the principal raw materials of our algal oil DHA products during the Track Record Period and an independent third party
"DSM Shanghai"	DSM Shanghai consists of two companies established in the PRC, namely DSM Vitamins Trading (Shanghai) Co. Ltd.* (帝斯曼維生素貿易(上海)有限公司) and DSM Vitamins (Shanghai) Co. Ltd.* (帝斯曼維生素(上海)有限公司), which are within the same group of companies with the DSM Group. DSM Shanghai was one of our top suppliers during the Track Record Period and an independent third party
"EIT Law"	the Law of the PRC on Enterprise Income Tax* (《中華人民共和國企業所得税法》) and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》), as amended or supplemented from time to time

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"Far-East Fortune"	Far-East Fortune Management (China) Co., Ltd. (遠東財富管理(中國)有限公司), (formerly known as Lanfair Network Limited and West Africa Minerals Investment Limited), a company incorporated under the laws of BVI on 15 May 2007 with limited liability, which was owned as to 91% by Mr. Wang and as to 9% by Ms. Cui as at the Latest Practicable Date respectively, and is one of our Controlling Shareholders
[REDACTED]	[REDACTED]
"Frost & Sullivan"	Frost & Sullivan Limited, an independent market research and consulting company which prepared the Frost & Sullivan Report
"Frost & Sullivan Report"	the independent industry report commissioned by our Company and prepared by Frost & Sullivan in relation to the maternal and children nutritional product industry in the PRC
"FY2021"	the year ended 31 December 2021
"FY2022"	the year ended 31 December 2022
"FY2023"	the year ended 31 December 2023
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Gold Nemans"	Gold Nemans (Shanghai) Foods Co., Limited* (金紐曼思(上海)食品有限公司), a limited liability company established in the PRC on 20 December 2010 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date

"Group", "we", "our" or "us"	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Hontat Management"	HONTAT Management Consulting (China) Ltd. (瀚達管理顧問(中國)有限公司) (formerly known as Paclight Associates Incorporated), a company incorporated in the BVI with limited liability on 18 August 2009 and a direct wholly owned subsidiary of our Company as at the Latest Practicable Date
"Hontat Nutritional"	Hontat (Shanghai) Nutritional Food Co., Ltd.* (瀚達(上海)營養食品有限公司), a limited liability company established under the laws of PRC on 6 April 2011 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
"independent third party(ies)"	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, substantial shareholders of our Company or any of its subsidiaries, or any of their respective associates
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issue of new Shares, further information on which is set forth in the paragraph headed "Statutory and General Information — 1. Further information about our Group — 1.3. Resolutions in writing of our sole Shareholder passed on [•] 2024" in Appendix IV to this document
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Latest Practicable Date"	20 September 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise supplemented from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company adopted on [•] 2024, a summary of which is set out in Appendix III to this document, as amended or supplemented from time to time

"MOF"	Ministry of Finance of the PRC* (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC* (中華人民共和國商務部)
"MOH"	Ministry of Health of the PRC* (中華人民共和國衛生部), which has been dissolved and relevant functions and powers are changed to the SAMR
"Mr. Wang"	Mr. Wang Ping (王平先生), one of our Controlling Shareholders, our Chairman, Chief Executive Officer, executive Director, and spouse of Ms. Cui
"Ms. Cui"	Ms. Cui Juan (崔娟女士), one of our Controlling Shareholders, our executive Director, and spouse of Mr. Wang
"NDRC"	the National Development and Reform Commission of the PRC* (中華人民共和國國家發展和改革委員會)
"New Zealand DHA Products"	finished algal oil DHA products that are processed in New Zealand
"New Zealand Processing Company"	a company incorporated in November 2013 in New Zealand, being the processing company of our New Zealand DHA Products during the Track Record Period a subsidiary of a multinational food and drink processing conglomerate corporation headquartered in Switzerland and listed on the SIX Swiss Exchange, and an independent third party
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC* (中華人民共和國全國人民代表大會)
"Numans HK"	Numans Holdings Limited (紐曼思控股有限公司) (formerly known as Matglobe Trading Limited, Yantai Non-Ferrous Metals Group Trading Company Limited and Nemans Holdings Limited (紐曼思控股有限公司)), a company incorporated in Hong Kong with limited liability on 6 June 2006 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
"Numans Sales"	Numans (Global) Sales Limited (formerly known as Kolaris Global Limited), a company incorporated in the Republic of Seychelles with limited liability on 16 January 2014 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Pharmtech"	Pharmtech (Hong Kong) Limited (科達藥業有限公司), a company incorporated in Hong Kong with limited liability. Pharmtech was one of our five largest suppliers during the Track Record Period and an independent third party
"PRC" or "China"	the People's Republic of China, excluding, for the purpose of this document, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC DHA Products"	finished algal oil DHA products that are processed in the PRC
"PRC Legal Advisers"	Commerce & Finance Law Offices, the legal advisers to our Company as to the laws of the PRC
[REDACTED]	[REDACTED]

"Probiotics Product(s)"	probiotics products which use probiotics supplied by Probiotics Raw Material Supplier
"Probiotics Raw Material Supplier"	a company incorporated in October 2004 in Denmark, being the supplier of the probiotics raw materials for our probiotics products during the Track Record Period and an independent third party, the shares of which were listed on Nasdaq OMX Copenhagen until it merged with another company listed on NASDAQ OMX Copenhagen in January 2024
"regional distributor(s)"	our distributor(s) for the sales and distribution of our products in the PRC
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the reorganisation of our Group in preparation for the [REDACTED], details of which are set out in the paragraph headed "History, Reorganisation and Group Structure — Reorganisation" in this document
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the paragraph headed "Statutory and General Information — 1. Further information about our Group — 1.7. Repurchases by our Company of our own securities" in Appendix IV to this document
"RMB"	Renminbi, the lawful currency of the PRC
"Rujian International"	Shanghai Rujian International Trading Co., Ltd. * (上海乳健國際貿易有限公司), a limited liability company established under the laws of PRC on 12 November 2002 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
"SAFE"	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
"SAFE Circular No. 13"	the 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》)

"SAFE Circular No. 37"	the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas 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》)
"SAMR"	State Administration for Market Regulation of the PRC* (中華人民共和國國家市場監督管理總局)
"SAT"	State Administration of Taxation of the PRC* (中華人民共和國國家税務總局)
"SCNPC"	Standing Committee of the National People's Congress* (全國人民代表大會常務委員會)
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Trilives"	Shanghai Trilives Biotech Co., Ltd (上海康營生物科技有限公司), a company established in July 2013 in the PRC, being the supplier of our New Zealand DHA Products during the Track Record Period and an independent third party
"Shanghai Yicunxin"	Shanghai Yicunxin Information Technology Co., Ltd.* (上海伊寸鑫資訊技術有限公司), a limited liability company established under the laws of the PRC. Shanghai Yicunxin was one of our five largest customers and regional distributors during the Track Record Period and an independent third party
"Shanghai Yicai"	Shanghai Yicai Packaging Products Co., Ltd.* (上海易彩包裝製品有限公司), a limited liability company established under the laws of the PRC. Shanghai Yicai was one of our five largest suppliers during the Track Record Period and an independent third party
Share Option Scheme"	the [REDACTED] share option scheme conditionally adopted by us on [•] 2024, the principal terms of which are summarised in paragraph headed "Statutory and General Information — 3. Further information about our directors and substantial shareholders — 3.5. Share Option Scheme" in Appendix IV to this document
"Share(s)"	ordinary share(s) with a nominal value or par value of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares

"Sole Sponsor" or "[REDACTED]"	Caitong International Capital Co., Limited, a licenced corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sponsor and [REDACTED] of the [REDACTED] and an independent third party
[REDACTED]	[REDACTED]
"State Council"	the State Council of the PRC* (中華人民共和國國務院)
[REDACTED]	[REDACTED]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
"Tax Adviser"	Prism Hong Kong and Shanghai Limited, the tax adviser of our Company
"Track Record Period"	the financial periods comprising FY2021, FY2022, FY2023 and 6M2024
"Type A regional distributor(s)"	regional distributor(s) which we expect to have relatively higher sales capabilities and are authorised to promote and distribute our nutritional products exclusively but only in their designated distribution regions
"Type B regional distributor(s)"	regional distributor(s) which we expect to have moderate sales capabilities and are authorised to promote and distribute our nutritional products only in their designated distribution regions
"Type C regional distributor(s)"	regional distributor(s) which are authorised to promote and distribute our nutritional products in all regions in the PRC except the regions designated to Type A regional distributors
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"U.S. DHA Products"	finished algal oil DHA products that are processed in the U.S.

"U.S. Legal Counsel"	Loeb & Loeb LLP, the special legal counsel of our Company as to U.S. law
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"USD" or "US$"	U.S. Dollar, the lawful currency of the United States
"VAT"	value-added tax
"6M2023"	the six months ended 30 June 2023
"6M2024"	the six months ended 30 June 2024
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, in this document,

- all references to times and dates refer to Hong Kong times and dates;
- the terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings ascribed to such terms under the Listing Rules;
- all data in this document is as at the Latest Practicable Date;
- certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and
- all relevant information in this document assumes no exercise of the [REDACTED].

Terms marked with "" are English translations of the original names in Chinese of the PRC nationals, entities (including certain of our subsidiaries), enterprises, organisations, institutions, government authorities, departments, facilities, awards, certificates, titles, laws and regulations concerned and are included in this document for identification purpose only. In the event of any inconsistency, the Chinese name(s) shall prevail.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"Algal oil DHA"	a kind of DHA processed from the culturing, fermentation, refining and purification of algae
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over time
"cross-border e-commerce (跨境電商零售進口)"	sales of our nutritional supplement products via online platforms across national borders to the PRC when the buyer and seller are located in different jurisdictions
"DHA"	docosahexaenoic acid, which is an essential fatty acid, widely present in algal, certain fishes and marine animal oils, etc.
"first-tier cities"	for the purpose of this document, Beijing, Shanghai, Guangzhou and Shenzhen, which are determined in accordance with the Ranking of Chinese Cities' Business Attractiveness 2023 (2023城市商業魅力排行榜) published by PRC financial media YiCai (第一財經)
"fourth-tier and below cities"	for the purpose of this document, any other cities in China that are not categorized as first-tier, new first-tier, second-tier or third-tier cities
"nutritional products"	products taken orally that contain one or more ingredients such as vitamins, probiotics, DHA, or other supplements containing calcium, iron, etc., or any combination thereof that are intended to supplement the diet of the consumers
"general trade (大貿)"	the import by our nutritional supplement products that are processed overseas in which both the buyer and seller being in the PRC
"GMP"	good manufacturing practice, which is a system for ensuring that products are consistently produced and controlled according to quality standards
"KOL(s)"	key opinion leader(s)
"milk powder product(s)"	dairy product(s) made by evaporating milk until most moisture has been removed, leaving behind dry powder
"multi-nutrients"	substances from food and used in the body to promote growth, maintenance, and repair of body tissues

GLOSSARY OF TECHNICAL TERMS

"new first-tier cities"	for the purpose of this document, Chengdu, Xi'an, Wuhan, Suzhou, Zhengzhou, Chongqing, Hangzhou, Nanjing, Tianjin, Changsha, Dongguan, Ningbo, Hefei, Kunming and Qingdao, which are determined in accordance with the Ranking of Chinese Cities' Business Attractiveness 2023 (2023城市商業魅力排行榜) published by PRC financial media YiCai (第一財經)
"OEM"	original equipment manufacturing or original equipment manufacturer (as the case may be), a term used to refer to arrangements under which products are manufactured in whole or in part in accordance with the customer's specifications and are marketed under the customer's own brand names. A manufacturer that manufactures products under such arrangements is an original equipment manufacturer
"second-tier cities"	for the purpose of this document, Fushan, Shenyang, Jinan, Wuxi, Xiamen, Fuzhou, Wenzhou, Jinhua, Harbin, Dalian, Guiyang, Nanning, Quanzhou, Shijiazhuang, Changchun, Nanchang, Taizhou, Changzhou, Jiaxing, Xuzhou, Nantong, Taiyuan, Baoding, Zhuhai, Zhongshan, Linyi, Weifang, Shaoxing and Yantai, which are determined in accordance with the Ranking of Chinese Cities' Business Attractiveness 2023 (2023城市商業魅力排行榜) published by PRC financial media YiCai (第一財經)
"probiotics"	live micro-organisms which when administered in adequate amounts confer a health benefit on the host
"sq.ft."	square feet
"sq.m." or "m^2"	square metres
"third-tier cities"	for the purpose of this document, Nanchong, Huanggang, Changde, Lanzhou, Taizhou, Haikou, Urumqi, Luoyang, Langfang, Shantou, Huzhou, Xianyang, Yancheng, Jining, Hohhot, Yangzhou, Ganzhou, Fuyang, Tangshan, Zhenjiang, Handan, Yinchuan, Nanyang, Guilin, Zunyi, Jiangmen, Jieyang, Wuhu, Shangqiu, Lianyungang, Xinxiang, Huai'an, Zibo, Mianyang, Heze, Zhangzhou, Zhoukou, Cangzhou, Xinyang, Hengyang, Zhanjiang, Sanya, Shangrao, Xingtai, Putian, Liuzhou, Suqian, Jiujiang, Xiangyang, Zhumadian, Yichang, Yueyang, Zhaoqing, Chuzhou, Weihai, Dezhou, Tai'an, Anyang, Jingzhou, Anqing, Chaozhou, Qingyuan, Suzhou, Zhuzhou, Bengbu, Ningde, Lu'an, Yichun, Liaocheng and Weinan, which are determined in accordance with the Ranking of Chinese Cities' Business Attractiveness 2023 (2023城市商業魅力排行榜) published by PRC financial media YiCai (第一財經)
"Unauthorised Distribution"	the sale and distribution of our products by a regional distributor out of its designated region

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. We have included in this document forward-looking statements that are not historical facts, but relate to our intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business" and "Financial Information", which are, by their nature, subject to risks and uncertainties.

When used in this document, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "might", "plan", "project", "propose", "seek", "should", "target", "will", "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the following:

- our business strategies and our operating and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- other statements in this document that are not historical facts;
- realisation of the benefits or our future plans and strategies;
- changes in the laws, rules and regulations applicable to us;
- changes in the economic, political and regulatory environment of the industry in which we operate;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our Group's control.

FORWARD-LOOKING STATEMENTS

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialise or may change. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this document.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. As such, our Company cautions you that actual outcomes may differ materially, from those expressed in any forward-looking statements.

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

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

An investment in our Shares involves various risks. You should carefully consider all the information in this document and, in particular, the risks and uncertainties described below before making an investment in our Shares.

Our business, financial conditions, results of operations or prospects could be materially and adversely affected by any of these risks. The [REDACTED] of the [REDACTED] could decline due to any of these risks, as well as additional risks and uncertainties not presently known to us, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We are exposed to concentration risk of sales of finished algal oil DHA products.

Any decrease in demand for our finished algal oil DHA products may significant impact on our business, financial conditions and results of operation.

During the Track Record Period, our best-selling nutritional products were our algal oil DHA products, the revenue of which amounted to approximately RMB310.2 million, RMB340.6 million, RMB404.1 million, RMB179.7 million and RMB140.5 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively, accounting for approximately 91.9%, 92.7%, 94.7%, 93.5% and 96.2% of our total revenue, respectively, for the corresponding years.

There is no assurance that the demand for our algal oil DHA products will maintain or continue to grow. For instance, the demand for our algal oil DHA products depends on a number of factors relating to discretionary consumer spending that are beyond our control. In addition, any shortage of, or failure or delay in, supply of algal oil DHA products from our suppliers, or quality issues in the algal oil DHA raw materials supplied by DSM Group or the algal oil DHA products supplied by our suppliers may significantly and adversely impact on our business, financial conditions and results of operation.

We are exposed to concentration risk of our suppliers for the supply of nutritional products.

Shanghai Trilives (which supplied our New Zealand DHA Products) was our largest supplier during the Track Record Period. Shanghai Trilives has been our supplier since 2013. Our purchases from Shanghai Trilives amounted to approximately RMB47.6 million, RMB76.2 million, RMB67.8 million and RMB20.2 million for FY2021, FY2022, FY2023 and 6M2024, respectively, representing approximately 56.8%, 42.6%, 49.6% and 48.5% of our total purchases for the respective years. Moreover, Pharmtech (which supplied finished probiotics products to us), Shanghai Yicai (which provided packaging services to us) and Confidence Group (which supplied our U.S. DHA Products to us) also accounted for a substantial portion of our purchases during the Track Record Period. The total purchases from our five largest suppliers for each year/period during the Track Record Period accounted for approximately 90.7%, 92.7%, 94.3% and 92.4% of our total purchases for FY2021, FY2022, FY2023 and 6M2024, respectively. Our business, financial conditions and results of operation depend on the continuous supply of products from our major suppliers and our continuous supplier-customer relationship with them.

There is no assurance that our major suppliers will continue to supply their products or supply their products to our Group or at a favourable price. Any shortage of, or failure or delay in supply by our major suppliers would cause significant disruption to our business, and we may not be able to meet the demand for our nutritional products and as a result our financial conditions and results of operation will be significantly and adversely affected. Even if we may be able to replace our major suppliers with alternative suppliers, we cannot guarantee that the contract terms entered into with the alternative suppliers will be similar to or more favourable than those entered into with our existing major suppliers. For further details of our relationship with our major suppliers, please refer to the paragraph headed "Business — Our suppliers" in this document.

We do not have absolute control over the quality of the finished algal oil DHA products supplied by Shanghai Trilives and Confidence Group to us.

During the Track Record Period, Shanghai Trilives, being one of our largest suppliers, supplied New Zealand DHA Products to us. During the Track Record Period, Shanghai Trilives arranged for the New Zealand Processing Company to conduct (1) encapsulation of algal oil DHA into softgel; and (2) drying of softgel containing algal oil DHA, while the packing of softgels into plastic bottles took place at the production facilities of the New Zealand Processing Company. In addition, Confidence Group supplied U.S. DHA Products to us during the Track Record Period. During the Track Record Period, Confidence Group arranged for third party processing companies located in the U.S. to conduct (i) encapsulation of algal oil DHA into softgel; and (ii) drying of softgel containing algal oil DHA, while the packing of softgels into plastic bottles took place at the production facilities of Confidence Group. We may not be able to take adequate measures to detect the defects or problems with the products in every circumstance.

We do not have absolute control over the quality of the finished algal oil DHA products supplied by Shanghai Trilives and Confidence Group, nor do we have absolute control over the manufacturing and packing processes by the New Zealand Processing Company, the encapsulation and drying processes by the third party processing companies engaged by Confidence Group and the packaging process by Confidence Group. If the New Zealand Processing Company, Confidence Group and the third party processing companies engaged by Confidence Group have quality issues (such as contamination or adulteration) or compliance issues over their respective processes or if their operations are suspended as a result, our business operation will be adversely and significantly disrupted. In addition, if any of our algal oil DHA products is perceived to have any quality issue or side effect, or in the event of any allegation that products sold by us are found to be unfit for use or consumption or cause illness, which may be due to a number of reasons, including contamination of ingredients or illegal tampering by unauthorised third parties, we may face a number of consequences, including (i) product liability claims (ii) product recalls; and/or (iii) exposure to lawsuits, all of which will adversely affect our business operations, financial conditions and results of operations. Our customers may also lose confidence in our Group and/or our algal oil DHA products and our reputation could be severely damaged, which in turn could lead to a decrease in demand for our algal oil DHA products and cause significant and adverse impact on our business, financial conditions and results of operations.

Further, we may have to source finished algal oil DHA products processed overseas from alternative suppliers or processing companies if the products provided by Shanghai Trilives and/or Confidence Group to us are defective in quality. If we are unable to identify suitable alternative suppliers in time to satisfy the demand of our customers, or at all, or enter into agreements with them in similar or favourable terms, our business, financial conditions and results of operations will be adversely impacted.

We are exposed to concentration risk of DSM Group to supply its algal oil DHA raw materials to our suppliers for our finished algal oil DHA products.

Algal oil DHA products are our major products, which contributed to a substantial proportion of our revenue during the Track Record Period. For FY2021, FY2022, FY2023, 6M2023 and 6M2024, the sales of our algal oil DHA products accounted for approximately 91.9%, 92.7%, 94.7%, 93.5% and 96.2% of our total revenue, respectively. To monitor the quality of our products, we require our suppliers for our finished algal oil DHA products to use the algal oil DHA raw materials supplied by DSM Group, which is a reputable supplier of nutritional products.

There is no assurance that DSM Group will continue to supply its algal oil DHA raw materials to our suppliers for finished algal oil DHA products or its algal oil DHA raw materials will continue to be free from quality issues. Our reliance on DSM Group for the indirect supply of the algal oil DHA raw materials will pose risk to our business, financial conditions and results of operation in the event of any shortage of, or failure or delay in the supply.

We may not be able to adequately protect our intellectual property rights and we are involved in intellectual property proceedings as at the Latest Practicable Date.

We sell our nutritional products under our proprietary brands, namely "紐曼思" and "紐曼斯" (in English, "Nemans"). Our success depends, to a large extent, on our ability to protect our intellectual property rights in our products. We rely on trademark registrations, legal actions and other contractual provisions to protect our intellectual property rights. For details of our internal control measures for protecting our intellectual property rights, please refer to the paragraph headed "Business — Enhanced internal control measures to protect our intellectual property rights" in this document. However, these measures do not provide absolute assurance in protecting our intellectual property rights.

Our competitors may have intellectual property rights and interests which may potentially come into conflict with ours and may claim against us for infringing their intellectual property rights. As at the Latest Practicable Date, we had on-going legal proceedings with various third parties (including Company X and Company Y) in relation to alleged trademark infringements. In particular, Company X and Company Y had applied the brand name "紐曼斯" on their products which was the same or similar to our registered trademarks "紐曼斯" and "紐曼思" respectively; and Company X had promoted its products for pregnant women and children on its official website, various social media platforms in the PRC under the brand name "紐曼斯"

and sold such products on various online shopping platforms. We took legal actions against Company X and Company Y on trademark infringement, while Company X counterclaimed against us, alleging commercial defamation and trademark infringement. For details of the legal proceedings and results, please refer to the paragraph headed "Business — Legal proceedings" in this document. If we do not succeed in the substantive proceedings, we may lose our legal right to continue to use or sell our products with our brands, and we may be ordered to compensate the third parties for their economic loss arising from the alleged infringement acts.

Legal proceedings are one of the means of our protection and defence of our intellectual property rights. It takes time for us to take the appropriate protective actions when an actual or potential infringement is identified. For example, it takes time for us to collect the relevant evidence, consult legal advisers and commence legal proceedings against the infringers. Furthermore, it will take time for those protective actions to take effect. The process of legal proceedings will depend on the interactions of the parties, caseloads of courts and availability of evidence to support our cases. There will inevitably be some time lag between identification of infringement and obtaining and enforcement a judgment to combat the infringement, meanwhile our competitors may be able to continue the infringement for some time, causing damages to our intellectual property rights.

There are other DHA products in the market which use similar brand name as ours, and end-customers may not be able to distinguish between our algal oil DHA products and other DHA products

The packagings of our algal oil DHA products contain distinct and identifiable features. For instance, the packagings of our algal oil DHA products bear the trademark of DSM Group called "life'sDHA" in which we are authorised under our trademark licensing agreement with DSM Group. In addition, the location of origin of our algal oil DHA products (e.g. New Zealand and the U.S.) is clearly set out in the packaging. However, there is no assurance that the end-customers will be able to distinguish our algal oil DHA products from other DHA products in the market that use similar brand name as ours. If the end-customers mistakenly recognise the passing-off DHA products as our algal oil DHA products and purchase them, it may lead to a loss of our sales and our effort and resources devoted to marketing and promotion may not pay off. Furthermore, if the passing-off DHA products have quality issues, the end-customers may mistakenly lose confidence in our algal oil DHA products and we may suffer from bad reputation due to issues or wrong-doings which are not related to us.

We rely on online sales channels to sell and distribute our products.

We rely on online sales channels including popular online shopping platforms in the PRC such as JD.com, Tmall.com and VIP.com to sell our products. During the Track Record Period, our revenue derived from online sales channels amounted to approximately RMB216.4 million, RMB243.2 million, RMB311.5 million, RMB132.4 million and RMB117.9 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively, representing approximately 64.1%, 66.3%, 73.1%, 68.9% and 80.7% of our total revenue, respectively. During FY2021, FY2022, FY2023 and 6M2024, we sold our products to 19, 18, 18 and 13 e-commerce companies, respectively which would on-sell our products through online shopping platforms to their customers. During FY2021, FY2022, FY2023 and 6M2024, we sold our products mainly

through two, three, four and four online shopping platforms to our customers. If (i) our relationship with such e-commerce companies and/or online shopping platforms deteriorates, becomes more costly to maintain or is terminated, (ii) the operations or services of such online shopping platforms are interrupted, (iii) such online shopping platforms fail to provide satisfactory services and experience to the customers or to retain existing users or to attract new users, (iv) we fail to incentivise such online shopping platforms to drive traffic to our online stores or promote the sale of our products; or (v) such e-commerce companies and/or online shopping platforms otherwise curtail or inhibit our ability to sell our products on their platforms, our ability to effectively sell our products through online sales channels as well as our business, financial conditions and results of operations could be materially and adversely affected. Also, despite the leading position and significant market share of such online shopping platforms in the PRC, we cannot assure you that they will continue to be popular and influential in the e-commerce industry in the PRC. If there is any negative commentary against such online shopping platforms, or any public perception or allegation that counterfeit or defective products are sold on such online shopping platforms, whether valid or not, it may deter customers from visiting such online shopping platforms and result in a lower traffic to such online shopping platforms and our online stores, which can adversely affect our business, financial conditions and results of operation.

In addition, such online shopping platforms generally have the discretion to suspend or even terminate a seller's account on their platforms. If they exercise such discretion to remove the content of our stores' webpages, delist our products, suspend or even terminate our account on their platforms, it will materially and adversely affect our online sales channels, online sales business, financial conditions and results of operations.

If any of the above occurs, we cannot assure you that we will be able to find alternative online shopping platforms on similar or favourable terms, with comparable number of users and similar degree of website traffic in a timely manner, or at all.

We rely on our regional distributors to sell and distribute our products.

During the Track Record Period, our revenue derived from sales to regional distributors amounted to approximately RMB115.7 million, RMB114.8 million, RMB108.5 million, RMB53.7 million and RMB26.4 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively, representing approximately 34.3%, 31.2%, 25.4%, 28.0% and 18.0% of our total revenue, respectively. As at the Latest Practicable Date, we engaged 17 regional distributors in the PRC to sell and distribute our products. If our relationship with our existing regional distributors deteriorates, becomes more costly to maintain or is terminated, or if they are otherwise unable or unwilling to conduct business with us, or if we fail to establish relationships with new regional distributors on similar or favourable terms, our business and prospects could be negatively affected.

We do not have complete control over the operations and performances of our regional distributors.

We do not have complete control over our regional distributors. We generally manage their sales of our products through the terms of distribution agreements that we enter with them which generally include terms regarding minimum sales target and authorised distribution region(s). We cannot assure you that our regional distributors will not breach the distribution

agreements or will fully comply with their obligations thereunder. The performance of the regional distributors, their sales network and their ability to expand their businesses are crucial to the future growth of our business and directly affect our sales volume and profitability. If any of the regional distributors fails to distribute our products in a timely manner or pursuant to the terms of our distribution agreements, or if any breach committed by one regional distributors adversely affects other distribution channels, our profitability could be materially and adversely affected. We cannot assure you that our regional distributors will be able to maintain their competitiveness and sell and market our products successfully.

As we may not be able to monitor our regional distributors effectively to ensure efficient sales of our products to the end customers and cannot track in real-time their sales of our products and the inventory level of our regional distributors, there is no assurance that their sales activities will always be carried out up to our expected sales target and service standard. If any of our regional distributors fails to operate in accordance with our policies and standards and up to our expectation, our reputation and business may be harmed.

In addition, we engaged our regional distributors to distribute and promote our products in their respective authorised distribution regions in the PRC. For details, please refer to the paragraph headed "Business — Marketing and promotional activities" in this document. We may not be able to prevent, detect or deter any of our regional distributors from promoting our products based on promotional materials which are inconsistent with the information provided or prepared by us or our guidelines. If any of such promotional materials contains fake or misleading content or is in breach of the relevant PRC laws and regulations, we may be subject to disputes and/or legal liabilities and our reputation, business and results of operation may be materially affected.

Furthermore, our regional distributors' operations must comply with the relevant PRC laws and regulations. If any of our regional distributors is required to suspend or cease its operations as a result of non-compliance with the relevant laws and regulations, our results of operations, market share, geographical coverage and brand image may be materially affected.

Channel stuffing and cannibalisation among our regional distributors may exist.

We are unable to prevent our potential end customers from selecting one regional distributor or one sales channel over another for personal, geographical or economic reasons. Channel stuffing and cannibalisation among our regional distributors within the same sales channel and/or among different sales channels may adversely affect the performance of our regional distributors, and thus our business, financial conditions and results of operations.

Reliance on revenue attributable to sales of nutritional products in the PRC.

The PRC has been and will continue to be the principal market of our Group's business. During the Track Record Period, our revenue were substantially attributable to sales of nutritional products in the PRC. Our Directors anticipate that revenue attributable to sales in the PRC will continue to be our Group's principal income stream in the near future. However, the PRC market of nutritional products and our performance depend significantly on factors affecting the habits, level and pattern of consumer spending in the PRC, which includes, among others, consumers' income. If the PRC experiences any adverse economic conditions due to

events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, it may result in a reduction in the customers' income and hence the number and purchasing power of our customers, which could materially and adversely affect our overall business, financial conditions and results of operation.

We could be adversely affected by a change in consumers' preferences, perception and spending habits and failure to enrich our product offering or gain market acceptance of our new products could have a negative effect on our business.

The nutritional product market and our performance depend significantly on factors such as consumers' preferences, their income, their confidence in and perception of the safety and quality of our products. Media coverage regarding the safety or quality issue of our nutritional products or the raw materials, ingredients or processes involved in the processing may damage consumers' confidence in our products. A general decline in the consumption of our products may occur if there is any adverse change in consumers' preferences, perception and spending habits at any time.

As we generally focus on the sales of nutritional products of algal oil DHA, probiotics, vitamins, multi-nutrients and algal calcium products, the popularity and demand for such categories of products is expected to affect the continued success of our business. Consumers' preferences over our nutritional products may be affected if, among other, (i) there is any change in consumers' belief as to the effectiveness of our products; (ii) consumers prefer other categories of nutritional products over ours; or (iii) future scientific research, findings or publicity regarding categories of our products are less or no longer positive.

We may be required to respond to such change in consumers' preferences by adapting or enriching our product offering and spending extra resources in marketing and advertising campaigns to gain market acceptance of our new products. However, we cannot assure you that we will identify such change in consumers' preferences and respond in a timely manner, or our actions in addressing such change in consumers' preferences will be effective.

If we fail to cope with such change in consumers' preferences, it may result in reduction in sales of our products, put pressure on pricing or lead to increased levels of selling and promotional expenses, and our business, financial conditions or results of operations may be materially and adversely affected.

We may experience fluctuations in costs of raw materials and imported finished products.

During the Track Record Period, our costs of inventories was the largest component of our cost of sales. For FY2021, FY2022, FY2023 and 6M2024, our costs of inventories amounted to approximately RMB89.2 million, RMB91.0 million, RMB103.8 million and RMB40.4 million, respectively, representing approximately 98.0%, 96.7%, 98.3% and 98.2% of our total cost of sales for the corresponding years/period, respectively.

Costs of inventories may fluctuate subject to factors beyond our control including availability and supply of the primary raw materials, inflation of labour costs, economic and market conditions and changes in suppliers' business plans and marketing strategies. We cannot assure you that the costs of inventories will not fluctuate in the future. If such costs increase and

we are unable to pass such additional costs on to our customers, it will directly affect our revenue and profit margin which will in turn materially and adversely affect our business, financial conditions and results of operations.

We incurred significant costs in connection with our marketing and promotional efforts. If our marketing strategies fail to materialise as expected, our results of operations may be adversely impacted.

Our business relies heavily on our brands. During the Track Record Period, we promoted our brands and products through online shopping platforms, maternity and child websites, celebrities and bloggers, participating in exhibitions and conferences, and sponsoring academic conferences and seminars targeting our consumers. Our promotion expenses increased from approximately RMB25.6 million for FY2021 to approximately RMB31.2 million for FY2022 to approximately RMB49.7 million for FY2023, and our promotion expenses increased from approximately RMB20.8 million for 6M2023 to approximately RMB32.1 million for 6M2024.

Going forward, we will continue to adopt such marketing and promotional strategies to further promote our brand recognition, strengthen our brand awareness and increase our brand value. For details, please refer to the section headed "Future Plans and Use of [REDACTED]" in this document. However, we cannot assure you that our marketing and promotional strategies can keep pace with the marketing trends, industry development and consumer preference. If any of our marketing and promotional strategies are not as effective as expected or fail to materialise at all, our results of operations may be negatively impacted.

Any negative publicity regarding the KOLs and celebrities whom we engage to market our products or our brands could materially and adversely affect our sales and reputation.

Considering the improving internet coverage in the PRC, we have been increasingly collaborating with KOLs and celebrities for our branding and marketing. Given the volatility of popularity of the social media platforms and KOLs, we will continue adopting this marketing strategy for online marketing and plan to allocate part of the [REDACTED] from the [REDACTED] on engaging KOLs and social media platforms to market and promote our brands and products. For details, please refer to the section headed "Future Plans and Use of [REDACTED]" in this document.

While the endorsements from KOLs and celebrities help strengthen our brand awareness and promote our products, we cannot assure you that we will be able to maintain our collaborations with our KOLs and celebrities. Our KOLs and celebrities may cease to cooperate with us. Even if they continue to cooperate with us, we cannot assure you that the endorsements from KOLs and celebrities will remain compatible with the messages that our brands and products aim to convey. Moreover, we cannot give assurance that any of these KOLs and celebrities will remain popular or their public perceptions will remain positive. The reputation of our KOLs and celebrities is important to our brand image as our customers may associate the performance of our KOLs and celebrities with our brands. Any negative publicity related to any of such KOLs and celebrities, including but not limited to, inappropriate speech, unethical behaviour, non-compliance with the relevant laws and regulations or banning from conducting

marketing activities, the occurrence of which is beyond our control, may adversely impact our reputation and brand image and consequently our ability to attract new customers and retain existing customers.

We cannot assure you that our business, financial conditions and results of operation will not be affected if similar incidents occur. In the event that we need to engage alternative KOLs or celebrities, we may not be able to find suitable candidates in a timely manner, which may then disrupt our marketing efforts or we may need to incur additional costs as we may require more time to procure new KOLs and celebrities to support our marketing activities. We may also initiate claims, disputes or legal proceedings against such KOLs or celebrities for compensation, which may divert our management's attention and consume much of our financial resources. If any of these situations occurs, our business, financial conditions and results of operation could be materially and adversely affected.

Our business depends significantly on the market recognition of our brands.

We believe our success depends substantially on the popularity of our brands. As at the Latest Practicable Date, we operated our business under our proprietary brands "紐曼思" and "紐曼斯" (in English, "Nemans"). We believe that brand recognition plays an important role in influencing consumers' decisions in purchasing our products. We have invested effort and resources to establish brand recognition and have received various awards and recognitions. We believe that our continued success will depend largely on our ability to protect and enhance the value of our brands, and our ability to market and promote our brands will remain critical to the success of our business.

Any incident that erodes consumers' trust and confidence in our brands could significantly reduce our brand value. Any damage to our brand image or failure to effectively promote our brands could materially and adversely impact our business and results of operations. Our brand reputation may suffer substantial harm if there are any product recalls, product-related lawsuits, defects or impurities in our products or negative or inaccurate reports, postings or comments on social media or websites about our products or our Group by the general public or KOLs and influencers. As we continue to grow in size, expand our product range and extend our geographic reach, maintaining quality and consistency may become more challenging and we cannot assure you that consumers' confidence in our brands will not diminish. If consumers perceive or experience a drop in the quality of our products, our brand value could suffer, which could have a material adverse effect on our business.

Our business depends significantly on the market recognition of the brand name of DSM Group.

During the Track Record Period, we were authorised to print the trademarks of DSM Group on the packagings of our algal oil DHA to indicate that our algal oil DHA products were made from algal oil DHA supplied by DSM Group. Our Directors believe that our consumers can be assured that the raw materials used in our algal oil DHA products are supplied by a reputable overseas supplier and our products are of high quality through the trademark of DSM Group of the raw materials printed on the packagings of our finished algal oil DHA products.

Any incident that erodes consumers' trust and confidence in the brand of DSM Group could significantly reduce its brand value. As the packagings of our products are printed with the trademark of DSM Group, we may suffer substantial harm if there are any product recalls, product-related lawsuits, defects or impurities in its products or other products that also bear such trademark as well as negative or inaccurate reports, postings or comments on social media or websites about its products or such supplier by the general public or KOLs and influencers. If consumers perceive or experience a drop in the quality of the products of our supplier, our business operation and financial position may be adversely and materially affected.

Third-party brand owner could early terminate our trademark licensing agreement or refuse to renew our trademark licensing agreement upon expiration.

We have entered into trademark licensing agreement with DSM Group for use of its trademarks on the packagings of our algal oil DHA products, to indicate that the raw materials used in our products are supplied by it. Please refer to the paragraph headed "Business — Our suppliers — Relationship with DSM Group" in this document for details. Such third-party brand owner is entitled to early terminate such agreement by notice for any reason or in the event of our failure to perform any of our obligations under the agreement. If DSM Group terminates the licensing agreement with us or we fail to renew the licensing agreement upon expiration of a term, we will not be allowed to use its trademarks on our products to indicate the source of the raw materials used in our products. As we are positioned to offer products made from imported raw materials, if any of these events occurs, it may erode consumers' trust and confidence in our products and our business, financial conditions and results of operations could be materially and adversely affected.

Our planned promotion of our products in Hong Kong and expansion of our sales network to Hong Kong may be less successful than expected.

To further reinforce and deepen the impression of imported raw materials and overseas processing of products in the minds of customers, expand our brand coverage and capture growth opportunities, we plan to promote our products in Hong Kong and expand our sales network to Hong Kong by setting up a retail store in a shopping mall in Central, Hong Kong and engaging an independent marketing agent based in Hong Kong to launch a series of promotional activities for our products in Hong Kong. For details, please refer to the paragraph headed "Business — Our business strategies — 2. Promotion of our products in Hong Kong and expansion of our sales network to Hong Kong" in this document.

We cannot assure you that such future plan will be successfully implemented or result in influence and impact on our brands and products and profitability as expected. For our planned expansion into Hong Kong where we have limited operating experience, we need to overcome the hurdles that Hong Kong may have different business and regulatory environments, competitive conditions, consumer preferences and discretionary spending patterns from our existing principal market in the PRC. We may also need to incur substantial costs to develop our business in Hong Kong and to hire, train and retain employees who share our business philosophy and culture. As a result, our planned promotion of our products in Hong Kong and

expansion of our sales network to Hong Kong may be less successful than expected in terms of profitability. Such future plan may also place substantial demands on our management and our operational, financial and other resources. Therefore, we cannot assure you that we will be able to maintain or improve our financial conditions and results of operation after implementation of our future plan, which may materially and adversely affect our results of operation and prospects.

We may be unable to recover deposits paid to suppliers.

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, our deposits paid to suppliers amounted to approximately RMB26.6 million, RMB24.8 million, RMB39.1 million and RMB17.4 million, respectively, which mainly represented our upfront payment paid to our suppliers for our purchases. Please refer to paragraph headed "Financial Information — Description of certain line items in the consolidated statements of financial position — Trade and other receivables" in this document for further details.

If (i) we fail to fulfil procurement contracts and/or purchase orders with our suppliers which we have made deposits in advance for; or (ii) our suppliers have liquidity problems, we may not be able to recover any of our deposits from suppliers, or at all. As a result, we may experience a decrease in our deposits and other receivables, and our business, financial conditions or results of operations may be materially and adversely affected.

Our failure to compete effectively against international players and other domestic players in the PRC market may negatively impact our results of operations.

According to Frost & Sullivan, the maternal and children algal oil DHA market in the PRC can be divided into products launched by international players and domestic players, where products of domestic players could be further categorised into products with locally sourced and imported algal oil DHA raw material. As food security of maternal and children related products has been a cause of concern, products launched by international players are progressively gaining popularity in the PRC market. On the other hand, according to Frost & Sullivan, domestic brands are gradually gaining consumers' confidence and domestic algal oil DHA manufacturers have been gradually taking up more market shares due to technology enhancements and increasing market recognition of domestic products in recent years. The brand recognition, quality assurance of and demand for the products of international players and other domestic players in the PRC market may have an adverse impact on our sales volume, market share, profit margin and financial results.

To remain competitive, we may have to continue investing in our brand promotion and recognition, product portfolio, procurement, supply-chain management, quality of our products, distribution channels and sales and marketing functions, the costs of which could negatively impact our financial conditions and results of operations.

Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third parties.

We cannot assure you that counterfeiting or imitation of our own-branded products will not occur in the future or, if it does occur, that we will be able to detect or address such problem effectively. Any occurrence of counterfeiting or imitation of our own-branded products could negatively affect our reputation and brand image, leading to a loss of consumers' confidence in our brands, and as a consequence, adversely affect our results of operations. Any litigation against counterfeiting and infringements of our rights and products will be expensive and time-consuming, and will divert our management's attention as well as other resources away from our business. We are not required under the PRC laws and regulations to maintain, and do not maintain, any insurance coverage against litigation costs. If we institute or encounter any litigation proceedings, we will have to bear the costs arising therefrom to the extent that we may not be able to recover them from the relevant parties. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

We may be subject to the risk of obsolescence and slow-moving for our inventories.

Our inventories mainly include raw materials and finished goods. We believe that maintaining appropriate levels of inventories helps us deliver our products to meet the market demands in a timely manner without straining our liquidity. Our total inventories (net) as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024 amounted to approximately RMB24.5 million, RMB69.4 million, RMB62.3 million and RMB63.0 million, respectively, representing approximately 8.5%, 17.2%, 13.3% and 12.5% of our total assets, respectively. For FY2021, FY2022, FY2023 and 6M2024, the aggregate of our write-down and provision for inventory (including milk powder products) amounted to approximately RMB5.9 million, RMB41.3 million, RMB5.4 million and RMB0.2 million, respectively. The significant increase in write-down and provision of our inventories during FY2022 was mainly due to our write-down and provision for milk powder products of approximately RMB38.4 million in aggregate for FY2022. Please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Losses relating to milk powder products" in this document for the detailed reasons leading to such write-down and provision for inventories loss on milk powder products.

Our inventories inevitably face obsolescence and slow-moving risks where there are unexpected material fluctuations or abnormalities in the demand for our finished products, or where there are changes in customers' tastes and preferences or introduction of new products in the market which may lead to decreased demand and overstocking of particular products. We may have to recognise a write down and/or provision for our inventories, which would lead to a reduction in our net profit. We may also have to reduce the selling price of our products, which may lead to reduced gross profit margins. In such circumstances, our business, financial conditions and results of operations may be materially and adversely affected.

We are subject to credit risks with respect to our trade receivables.

Our trade receivables (net of loss allowances) amounted to approximately RMB33.9 million, RMB40.4 million, RMB30.4 million and RMB31.8 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively. Such increase was generally in line with our growth in revenue for the same years. Our average turnover days of trade receivables remained relatively stable at approximately 34.0 days, 36.9 days, 30.2 days and 38.8 days for FY2021, FY2022, FY2023 and 6M2024, respectively. Please refer to the paragraph headed "Financial Information — Description of certain line items in the consolidated statements of financial position — Trade and other receivables" in this document for further details.

As at the Latest Practicable Date, approximately RMB31.7 million or 99.8% of our trade receivables outstanding as at 30 June 2024 were subsequently settled by our customers. If our customers do not make payment to us timely or at all, our liquidity, cash flow and profitability would be adversely affected and we may have to write off our trade receivables or increase our provision for impairment allowances for our trade receivables, which would lead to a reduction in our net profit. In such circumstances, our business, financial conditions and results of operations may be materially and adversely affected.

Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel.

Our senior management team is responsible for the overall business development of our Group. Our success depends on the continued services of our senior management team, in particular, our executive Directors, who play vital roles in our operation. Details of their experience are set out in the section headed "Directors, Senior Management and Employees" in this document. If one or more of our senior management team or other key employees are unable or unwilling to continue to render their services to us or remain in their present positions, we may not be able to replace them promptly or at all, which may severely disrupt our business and affect our results of operations and future prospects.

Our success is also dependent upon our ability to attract and retain personnel who have the necessary experience and expertise. However, competition for personnel in the PRC is intense. If we cannot recruit and retain employees necessary to our operations, our expansion capabilities may be limited, which could in turn reduce our profitability and limit our ability to grow. Such competition for personnel may also drive up our staff costs, and may in turn increase our costs of operations. In such circumstances, our business, financial conditions and results of operations may be materially and adversely affected.

We may be subject to product liability claims.

We may be subject to product liability claims in the event of any allegation that our products are found to be unfit for use or consumption or cause illness, which may be due to a number of reasons, including contamination of ingredients or illegal tampering by unauthorised third parties that we or our suppliers may have failed to identify. The occurrence of such problems may result in recalls of our products and hence damage our brand reputation.

We may also be subject to product liability claims if our products fail to meet the relevant merchantable quality and/or safety standards. In such event, we may incur liabilities and have to compensate consumers for any loss and damage they suffered as a result of using our products. If there is any loss incurred for product liabilities, it would cause material and adverse effect on our business, financial conditions and results of operations. In addition, adverse publicity of such incidents, whether valid or not, may adversely affect the brand image of our products. If consumers lose confidence in our products, we may suffer long term declines in our sales, which may have a material adverse effect on our business, financial conditions and operating results as a whole.

Government grants currently received by us may be reduced or discontinued in the future.

During the Track Record Period, our Group received government grants which represented fiscal supports that the relevant government authorities offered to our subsidiaries which carried out their businesses in designated tax incentives zones in Shanghai, the PRC. For FY2021, FY2022, FY2023, 6M2023 and 6M2024, we recognised government grants of RMB7.6 million, RMB9.3 million, RMB11.0 million, RMB9.3 million and RMB10.8 million, respectively. We cannot assure you that the relevant government authorities will continue to offer such government grants or we will continue to be eligible to receive such government grants or the amount of such government grants will not be reduced in the future. Our ability to continue to enjoy government grants is subject to changes in national or local policies, and may be affected by the termination of, or amendments to, such policies. Any decrease in or termination of such government grants in the future may have an adverse effect on our financial conditions, results of operations and prospects.

Any dispute or claim in relation to our leased properties may adversely affect our ability to use these properties.

Any dispute or claim in relation to the titles of the properties that we lease and occupy, including any litigation involving allegations of illegal or unauthorised use of these properties, could result in relocation of our business operations to other properties. If any of our leases is terminated or voided as a result of challenges from third parties or the government, or if the lease is otherwise not renewed by our landlords upon expiration, we would need to seek alternative premises and incur relocation costs. As at the Latest Practicable Date, the lease agreements of six of our leased properties had not been filed for registration with the relevant PRC authorities and we may be subject to a maximum administrative penalty of RMB10,000 for each non-registration. There can be no assurance that legal disputes or conflicts concerning such leases will not arise in the future. For details of the non-registration of the lease agreements, please refer to the paragraph headed "Business — Properties — Leased Properties" in this document. Furthermore, there can be no assurance that the PRC government will not amend or revise existing property laws, rules and regulations in respect of leasing of properties to require additional approvals, licences or permits, or impose stricter requirements on the leased properties that we use.

We procure our U.S. DHA Products directly from the U.S. and any regulatory changes as a result of the Sino-U.S. trade conflict may have a material adverse impact on us.

In 2019, the U.S. and the PRC both increased their tariff on goods from each other. As advised by our PRC Legal Advisers, the additional tariff imposed on our finished algal oil DHA products was 25% as at the Latest Practicable Date.

During the Track Record Period, we adopted cross-border e-commerce model for our U.S. DHA Products. Under this model, our Seychelles subsidiary Numans Sales procured the U.S. DHA Products directly from Confidence Group (which is located in the U.S.), in which the U.S. DHA Products were imported from Confidence Group through bonded warehouses, which were then delivered to the e-commerce companies. Our Group was not responsible for handling any customs clearance. The U.S. DHA Products that are imported by cross-border e-commerce model were only sold under our Group's online channel during the Track Record Period. As advised by our PRC Legal Advisers, the cross-border e-commerce model does not involve tariff. We cannot assure you the development of the Sino-U.S. relations and that there will be no regulatory change relating to cross-border e-commerce model and the tariff arrangement. If our U.S. DHA Products become subject to tariff or increased tariff and we are unable to pass such additional costs on to our customers, our financial performance and financial conditions may be materially and adversely affect.

As advised by our PRC Legal Advisers, the additional tariff imposed on our finished products (i.e. DHA Algal Oil Softgel) was 25% as at the Latest Practicable Date.

We cannot assure you the procurement of our finished products will remain unaffected or whether further tariff will be imposed on import of our finished products in the future in light of the uncertainties in the tariffs situation between the U.S. and China. While we are not responsible for handling any customs clearance for our U.S. DHA Products, and hence do not bear any tariff to be charged, we cannot assure that customers' preference would remain unaffected by the tariff imposed or the development of the Sino-US relations. If we or our suppliers are not able to source outside the U.S. territory or if we are unable to pass such additional costs on to our customers, our profit margins could be adversely affected, which would in turn materially and adversely affect our business, financial conditions and results of operations.

Our insurance coverage may not provide our Group with adequate protection against risks related to our business and operations.

We maintain various insurance policies such as property all risks insurance and motor vehicle insurance. We did not maintain any product liability insurance for our product liabilities. Our insurance may not fully cover all the potential losses and claims arising from our operations. Our Group and/or our officers (as the case may be) may be exposed to claims in respect of matters that are not covered by the insurance policies we maintain. In addition, most of our insurance policies are subject to standard deductions, exclusions and limitations. We believe these insurance policies are generally in accordance with customary industry practices, including deductibles and limits of coverage, but we cannot be fully insured against all potential hazards incidental to our business, including losses resulting from business interruptions, or all potential losses, including damage to our reputation.

If we were to incur significant liabilities for which we are not fully insured, it may have an adverse effect on our results of operations and financial conditions. As a result of market conditions, premiums and deductibles for certain insurance policies may increase substantially and, in some instances, certain insurance policies may become unavailable at a reasonable cost or available only for certain risks. If we are for any reason no longer covered by our existing insurance policies, we may not be able to obtain alternative insurance policies on acceptable terms or at all, which may have an adverse effect on our results of operations.

With respect to losses and claims which are covered by insurance policies, the process for us to recover such losses from insurers may be lengthy and complicated. In addition, we may not be able to recover the full amount of such losses from the insurers. There can be no assurance that the insurance policies would be sufficient to cover all potential losses, regardless of the cause, or that we can recover such losses from the insurers.

There is no assurance that we will be able to obtain, maintain, update or renew all the certificates, licences, permits and approvals that are specific and material to our business operations as well as the product registration of our products.

We have obtained and maintained certain certificates, licences, permits and approvals that are specific and material to our business operations, and product registration is required for certain of our products before they can be sold in the PRC. For details, please refer to the paragraph headed "Business — Licence, permits and approvals" in this document. There is no assurance that we can continue to comply with the relevant regulatory regimes or successfully obtain, maintain, update or renew all necessary licences in the future in a timely manner or at reasonable operating costs. In the event of failure or significant delay in obtaining, maintaining, updating or renewing all necessary licences, our business, financial conditions and results of operation could be materially and adversely affected.

We rely on logistics service providers for transportation and delivery of our products.

We engage third party logistics service providers for transportation and delivery of our products to our customers and distributors. For FY2021, FY2022, FY2023, 6M2023 and 6M2024, we incurred courier expenses of approximately RMB4.4 million, RMB6.0 million, RMB8.3 million, RMB3.0 million and RMB3.5 million, respectively.

There is no assurance that third party logistics service providers will deliver our products smoothly and without delay. Disruptions to delivery may be caused by reasons beyond our control, including but not limited to travel restrictions imposed by the government, mishandling of products, natural disasters, unfavourable weather conditions and labour strikes. Any delays, losses or damages in delivery may result in loss of customers, sales and turnover, which may materially and adversely affect our reputation, business, financial conditions and results of operations. Further, in the event that the third party logistics service providers refuse to provide transportation services to us, or only agree to provide transportation services at a higher price, our business, profit margins and results of operations may be adversely affected.

The outbreak of the coronavirus disease ("COVID-19") or similar pandemic may have a material adverse impact on our business, results of operations and financial position.

The outbreak of COVID-19 was first reported in December 2019 and expanded across the globe, including China. On 11 March 2020, it was declared by the World Health Organization that COVID-19 can be characterised as a pandemic due to rapid increase in the number of cases outside the PRC. Since 2020, governments around the world have implemented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns to mitigate the spread of the COVID-19 pandemic. In particular, as our office and warehouses are located in Shanghai, the PRC, all of our staff were required to work from home in March to June 2022, and delivery of our products was suspended during such period.

Despite the declaration of the World Health Organization in May 2023 that COVID-19 no longer constituted a public health emergency of international concern, there is no assurance that COVID-19 will not become a pandemic again in the future and that governments around the world will not re-implement stringent anti-epidemic measures.

The outbreak of COVID-19 has caused a decrease in economic activities in the PRC and worldwide. Any economic downturn caused by the outbreak of COVID-19 or similar pandemic may adversely affect the consumer sentiment, and hence reduce the demand for our products, or cause delay in payment by our customers. If any of the above circumstances materialises, our business, results of operations and financial position will be adversely affected.

We may not be able to successfully implement our business plans.

We intend to achieve sustainable growth, increase our market share and strengthen our market position in the nutritional product market in the PRC by (i) intensifying our marketing efforts through different marketing means to enhance public awareness of our brands; and (ii) promoting our products in Hong Kong and expansion of our sales network to Hong Kong. The successful implementation of our business strategies depends on a number of factors including, *inter alia*, the continued growth of the nutritional product market in the PRC generally, the availability of funds, market competition and relevant government policies. In addition, during the Track Record Period, our principal place of business has been in the PRC. We cannot assure you that our business strategies can be implemented successfully. Any delays or failure to successfully implement these business strategies could result in the loss or delayed receipt of revenue and the failure to grow our business.

RISKS RELATING TO OUR INDUSTRY

We operate in a competitive industry.

We operate in a competitive industry. According to Frost & Sullivan, there are currently around 100 participants which comprise international players and domestic players made from algal oil DHA raw material supplied by overseas suppliers and those supplied by domestic suppliers in the maternal and children algal oil DHA industry in the PRC and the market of the maternal and children algal oil DHA products made from algal oil DHA raw materials supplied by overseas suppliers among local brands in the PRC in 2023 was considered concentrated in terms of retail sales value. Our Group competed with approximately 35 players in the market, a

limited number of which were sizeable market players which had leading market positions. As for maternal and children probiotics market in the PRC with approximately 120 players which have a limited number of sizable market players, it is becoming increasingly competitive and considered relatively fragmented because of a growing number of companies entering the market and the presence of numerous players with varying sizes, specialisation and financial resources. We face competition in respect of, *inter alia*, pricing, product quality, innovation, reputation and distribution. Some of our competitors may have greater financial, technological and informational resources than we have, which may enable them to provide products superior to our products, or to adapt more quickly than we do to evolving industry trends and consumer preferences. On the other hand, some of our competitors may, out of various commercial considerations, adopt low-margin sales strategies and compete against our Group by lower prices to increase their market shares.

There is no assurance that we will be able to compete successfully with others in the future in view of the changing market environment. Increasing competition within the industry may have an adverse impact on our sales volume, market share, profit margin and financial results.

Changes in the PRC laws and regulations in respect of nutritional products may adversely affect our business.

Our business, which mainly operates in the PRC, is principally regulated by various laws and regulations, such as the Food Safety Law of the PRC* (《中華人民共和國食品安全法》), the Regulation on the Implementation of the Food Safety Law of the PRC* (《中華人民共和國食品安全法實施條例》), the Law of Advertisements of the PRC* (《中華人民共和國廣告法》), the Product Quality Law of the PRC* (《中華人民共和國產品質量法》), the Law of the PRC on the Protection of Consumers' Rights and Interests* (《中華人民共和國消費者權益保護法》), the Administrative Measures for Food Production Licensing* (《食品生產許可管理辦法》), the Administrative Measures for Food Operation Licensing and Filing (《食品經營許可和備案管理辦法》), the Administrative Provisions on Food Labelling* (《食品標識管理規定》), the Measures on the Administration of Health Supplement Products* (《保健食品管理辦法》) and the Administrative Measures for the Registration and Record-filings of Health Supplement Products* (《保健食品註冊與備案管理辦法》). For details in relation to the relevant laws and regulations, please refer to the section headed "Regulatory Overview" in this document.

There can be no assurance that the government in the PRC where our products are sold and distributed will not change their existing laws or regulations or adopt additional or more stringent laws or regulations applicable to us, our products and our business operations. To the extent that new laws and regulations are adopted in the PRC, we may be required to conform our activities and operations to comply with such laws and regulations. We cannot predict the nature of such future laws, regulations, interpretations, or applications, nor can we predict their impact on our business. Such laws and regulations may require the re-configuration of our methods for sourcing raw materials, processing and transportation, including more onerous food safety, labelling and packaging requirements, increases in transportation costs, and greater uncertainty in sourcing estimates. Any such government actions could have a material adverse effect on our business, financial conditions and results of operations. Also, our failure to comply with any applicable laws and regulations could subject us to civil remedies, including

fines, injunctions, product recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our business, financial conditions and results of operations.

Development in alternative categories of nutritional products may materially and adversely affect the demand for our products.

The future development of our business depends on our ability to accurately anticipate changes in market demand and consumer preferences. However, we may not be successful in any of these respects. Developments and growing popularity in alternative categories of nutritional products may cause change in preference of customers and materially and adversely affect our business and prospects. Any failure by us to successfully react to changes in alternative market trends and conditions could materially harm our competitive position and growth prospects.

Our business may be materially and adversely affected by adverse news, scandals or other incidents associated with the PRC maternal and children nutritional product industry.

Incidents that reflect doubt as to the product quality or safety in the PRC maternal and children nutritional product industry, including those related to our competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the PRC maternal and children nutritional product industry as a whole. In the past, PRC consumers' confidence in domestic brands was undermined by a series of scandals involving maternal and children products such as the 2008 Chinese milk scandal. Even if such parties or incidents have no relation to our Group, our management, our employees, our suppliers or our other business partners, such negative publicity may indirectly and adversely undermine the confidence of our customers in our products and affect our reputation and business operations.

RISKS RELATING TO THE [REDACTED]

There is no existing public market for our Shares and their liquidity, market price and [REDACTED] may fluctuate.

Prior to the [REDACTED], there has not been a public market for our Shares. We have applied for the [REDACTED] of and [REDACTED] in our Shares on the Stock Exchange. However, even if approved, we cannot assure you that an active and liquid public [REDACTED] market for our Shares will develop following the [REDACTED], or, if it does develop, it will be sustained. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the [REDACTED] and [REDACTED] of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results because of the following factors, among others, which may be beyond the control of our Group:

(i) actual or anticipated fluctuations in our results of operations;

(ii) changes in investors' perception of our Group and the investment environment generally;

(iii) changes in the analysis and recommendations of financial analysts;

(iv) addition or departure of key management personnel;

(v) changes in product pricing made by us or our competitors;

(vi) changes in market valuations and share prices of companies with businesses similar to that of our Company that may be [REDACTED] in Hong Kong;

(vii) the liquidity of the market for the Shares;

(viii) announcements of competitive developments, acquisitions or strategic alliances in our industry;

(ix) our ability to successfully implement our business plans and growth strategies;

(x) fluctuations of exchange rates;

(xi) involvement in potential litigation or regulatory investigations and proceedings;

(xii) general changes and/or developments in rules or regulations with regard to the PRC nutritional product industry that our Group operates in, including those that affect the demand for our products; and

(xiii) changes in conditions affecting the nutritional product industry, the general economic conditions or stock market sentiments or other events or factors.

Accordingly, we cannot assure you that the liquidity, [REDACTED] and [REDACTED] volume of our Shares will not fluctuate.

The [REDACTED] for our [REDACTED] was the result of, and the [REDACTED] will be the result of, negotiations among the [REDACTED] and the [REDACTED] (on behalf of the [REDACTED]) and our Company and may not be indicative of market prices that will prevail in the trading market after the [REDACTED]. Therefore, our Shareholders may not be able to sell their Shares at market prices equal to or greater than the price paid for their Shares purchased in the [REDACTED].

Should the [REDACTED] be higher than the net tangible assets book value per Share, our Shareholders may experience an immediate dilution in the book value of their Shares purchased in the [REDACTED] and may experience further dilution if we issue additional Shares in the future.

If the final [REDACTED] of our Shares is higher than the net tangible assets of our Group attributable to owners of our Group per Share immediately prior to the [REDACTED], subscribers and purchasers of our [REDACTED] will experience an immediate dilution in the [REDACTED] adjusted consolidated net tangible assets of our Group.

In order to expand our business, we may consider [REDACTED] and [REDACTED] additional Shares in the future. Our Shareholders may experience further dilution in the net tangible assets book value per Share if we issue additional Shares at a price lower than the net tangible assets book value per Share at the time of their issue.

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

We cannot assure you that our Controlling Shareholders will not dispose of our Shares that they own following the expiration of their respective lock-up periods after completion of the [REDACTED]. Our Company cannot predict the effect, if any, that any future sales of the Shares by our Controlling Shareholders, or the availability of our Shares for sale by our Controlling Shareholders may have on the market price of our Shares. Sales of substantial amount of our Shares by our Controlling Shareholders or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares.

Our Controlling Shareholders, may exert substantial influence over our operations and may not act in the best interests of our public Shareholders.

Immediately following the [REDACTED], our Controlling Shareholders will own [REDACTED]% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the [REDACTED]. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. They will also have veto power with respect to any Shareholders action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may not always align with our Company's or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

Future sales or issuances or perceived sales or issuances of our Shares could have a material adverse effect on the prevailing market price of our Shares and our ability to raise additional capital.

The market price of our Shares could decline as a result of future sales or issuances of a substantial number of our Shares or other securities in the public market, or the perception that such sales or issuances may occur. Moreover, such future sales or issuances or perceived sales or issuances may also adversely affect the prevailing market price of our Shares and our ability to raise capital in the future at a favourable time and price.

Shareholders' interests may be diluted in the future as a result of additional equity fund raising.

We may need to raise additional funds in the future to finance further expansion of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of us other than on a pro rata basis to existing Shareholders, the percentage of ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

Our Company will comply with Rule 10.08 of the Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the [REDACTED]. Upon expiry of such six-month period, our Group may raise additional funds by way of issue of new equity or equity-linked securities of our Company to finance further expansion of our business, joint ventures or other strategic partnerships and alliances. Such fund-raising exercises may not be conducted on a pro rata basis to existing Shareholders. As such, the shareholding of the then Shareholders may be reduced or diluted, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

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

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

There can be no assurance if and when we will pay dividends in the future.

Distribution of dividends shall be formulated by our Board and will be subject to Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, operating and capital expenditure requirements, distributable profits as determined under HKFRSs, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. Please refer to the paragraph headed "Financial Information — Dividends" for further details of our dividend policy.

The Sole [REDACTED] and the [REDACTED] are entitled to terminate the [REDACTED].

Prospective investors should note that the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) are entitled to terminate their respective obligations under the [REDACTED] by giving notice in writing to us upon the occurrence of any of the events set out in the paragraph headed "[REDACTED] arrangements and expenses — Grounds for termination" in this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, explosions, epidemic, acts of terrorism, strikes or lock-outs, natural disaster or outbreak of infections diseases.

RISKS RELATING TO THIS DOCUMENT

You should read the entire document and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry and the [REDACTED].

There may be subsequent to the date of this document but prior to the completion of the [REDACTED], press, media, and/or research analyst coverage regarding us, our business, our industry and the [REDACTED]. You should rely solely upon the information contained in this document in making your investment decisions regarding our Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the [REDACTED], our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this document, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this document only and should not rely on any other information.

We cannot guarantee the accuracy of certain facts and statistics contained in this document.

Certain facts, statistics, and data presented in the section headed "Industry Overview" and elsewhere in this document relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by the PRC government departments or independent third parties. In addition, certain information and statistics set forth in that section have been extracted from a market research report commissioned by us and prepared by Frost & Sullivan, an independent market research and consulting company. We cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such statistics and information are 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. Whilst our Directors have taken reasonable care in extracting and reproducing the information, neither our Group, our Directors, the Sole Sponsor, nor any parties involved in the [REDACTED] including Frost & Sullivan has independently verified, or make any

representation as to, the accuracy of such information and statistics from official government sources. Further, we cannot assure you that statistics from the official government sources are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) as other jurisdictions. As a result, you should not unduly rely upon such facts and statistics from the official government sources contained in this document.

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

This document contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "might", "plan", "project", "propose", "seek", "should", "target", "will", "would" or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect.

The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking Statements" in this document for further details.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], our Company has sought and [has been granted] the following waivers from strict compliance with the relevant provision of the Listing Rules:

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary [REDACTED] on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily residents in Hong Kong. Since the core business, major assets and operations of our Group are primarily located in the PRC, our executive Directors may, in the foreseeable future, reside in the PRC from time to time after the [REDACTED].

We have applied to the Stock Exchange for and the Stock Exchange [has granted] a waiver from strict compliance with the management presence requirements under Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorised representatives, namely Mr. Wang (our executive Director) and Mr. Tang Tsz Tsun (our company secretary), to act as our principal channel of communication with the Stock Exchange. Each of the authorised representatives shall be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange, and will also be accessible by telephone, facsimile and electronic means. Our Company will inform the Stock Exchange promptly in respect of any change in our authorised representatives or the contact details of any of them;

(b) each of the authorised representatives has means to contact all the Directors promptly at all times as and when the Stock Exchange wishes to contact them for any matters. Each of them is authorised to communicate on behalf of our Company with the Stock Exchange and each of our Directors, authorised representatives and the company secretary has provided his or her mobile and office contact phone numbers, fax number and email address (if those contact details are available) to the Stock Exchange, should the Stock Exchange find it necessary to contact any of them;

(c) those Directors who are not ordinarily residents in Hong Kong have confirmed that they possess or are entitled to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant officers of the Stock Exchange within a reasonable period of time when required;

(d) each Director has confirmed that, in the event that he or she expects to travel or be out of office, he or she will provide the phone number of the place of his or her accommodation or other means of communications to our authorised representatives;

(e) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Caitong International Capital Co., Limited to act as our compliance adviser for the period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the [REDACTED]. The compliance adviser of our Company will act as an additional channel of communication with the Stock Exchange;

(f) meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives, compliance advisor or directly with our Directors within a reasonable period of time. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorised representatives and compliance adviser; and

(g) our Company will maintain a principal place of business in Hong Kong.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

EXCHANGE RATE CONVERSION

Unless otherwise specified, for the purpose of this document and for the purpose of illustration only, (i) the translations of Renminbi into Hong Kong dollars in this document are based on the rate of HK$1.00: RMB0.9134; (ii) the translations of U.S. dollars into Hong Kong dollars in this document are based on the rate of US$1.00: HK$7.8110; (iii) the translations of U.S. dollars into Renminbi are based on the rate of US$1.00: RMB7.1346.

No representation is made that any amounts in RMB, HK$ or US$ were or could have been converted at the above rate or at any other rates or at all.

LANGUAGE

If there is any inconsistency between this document and its Chinese translation, this document shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Wang Ping (王平先生)	Flat D, 50/F, Block 5 The Belcher's, Phase 2 89 Pok Fu Lam Road Pok Fu Lam, Hong Kong	Chinese
Ms. Cui Juan (崔娟女士)	Flat D, 50/F, Block 5 The Belcher's, Phase 2 89 Pok Fu Lam Road Pok Fu Lam, Hong Kong	Chinese
Non-executive Director		
Mr. Chan Hok Leung (陳學良先生)	Flat C, 13/F, Block A Ning Yeung Terrace 78 Bonham Road Sai Ying Pun, Hong Kong	Chinese
Independent non-executive Directors		
Ms. Yim Wing Yee (嚴詠怡女士)	Flat A, 24/F, Block 12 Tsuen King Garden Tsuen Wan New Territories Hong Kong	Chinese
Mr. Lau Kwok Fai Patrick (劉國煇先生)	Flat D, 23/F Downtown 38 38 Pak Tai Street To Kwa Wan, Kowloon Hong Kong	Chinese
Mr. Yu Tsz Ngo (余子敖先生)	Flat F, 25/Floor, Block 7 Banyan Garden Lai Chi Kok, Kowloon Hong Kong	Chinese

Please refer to the section headed "Directors, Senior Management and Employees" in this document for further information on our Directors and members of senior management.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor and [REDACTED]	**Caitong International Capital Co., Limited** *(A licenced corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO)* Unit 2401–05, 24/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
[REDACTED]	[REDACTED] [•] [•]
[REDACTED]	[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to the Company

As to Hong Kong law
Wan & Tang
Solicitors, Hong Kong
2408, World-wide House
19 Des Voeux Road Central
Central
Hong Kong

As to PRC law
Commerce & Finance Law Offices
Registered law firm in the PRC
Unit 1001, 10F
Phase I, Qianhai Chow Tai Fook Finance Tower
No. 66 Shu Niu Avenue
Nanshan District, Shenzhen, PRC

As to Cayman Islands law
Conyers Dill & Pearman
Attorneys-at-law, Cayman Islands
29th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

Legal advisers to the Sole Sponsor and the [REDACTED]

As to Hong Kong law
ONC Lawyers
Solicitors, Hong Kong
19th Floor
Three Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law
Grandall Law Firm (Shenzhen)
Registered law firm in the PRC
24DE/31DE/41–42 Floor
Shenzhen Special Zone Press Tower
6008 Shennan Avenue
Shenzhen
PRC, 518009

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Auditors and reporting accountants	**Forvis Mazars CPA Limited** (formerly known as Mazars CPA Limited) *Certified Public Accountants, Hong Kong* *Registered Public Interest Entity Auditor* 42nd Floor, Central Plaza 18 Harbour Road Wan Chai Hong Kong
Industry Consultant	**Frost & Sullivan Limited** Unit 3006, 30/F Two Exchange Square 8 Connaught Place Central Hong Kong
Tax adviser	**Prism Hong Kong and Shanghai Limited** Units 1903–1905, 19/F 8 Observatory Road Tsim Sha Tsui Hong Kong
Compliance adviser	**Caitong International Capital Co., Limited** *(A licenced corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO)* Unit 2401–05, 24/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Registered office in Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office in the PRC	Building 8 Lane 706 Wuxing Road, Pudong New Area Shanghai The PRC
Principal place of business in Hong Kong	2408, World-wide House 19 Des Voeux Road Central Central, Hong Kong
Company website	**www.numans.cc** *(Note: information on this website does not form part of this document)*
Company secretary	Mr. Tang Tsz Tsun (鄧子駿先生), *member of The Hong Kong Institute of Certified Public Accountants*
Authorised representatives	Mr. Wang Ping (王平先生) Flat D, 50/F, Block 5 The Belcher's, Phase 2 89 Pok Fu Lam Road Pok Fu Lam Hong Kong Mr. Tang Tsz Tsun (鄧子駿先生) Flat D, 23/F No. 2 Park Road Mid-levels Hong Kong
Audit Committee	Ms. Yim Wing Yee (嚴詠怡女士) *(Chairperson)* Mr. Lau Kwok Fai Patrick (劉國煇先生) Mr. Yu Tsz Ngo (余子敖先生)
Remuneration Committee	Mr. Lau Kwok Fai Patrick (劉國煇先生) *(Chairperson)* Ms. Yim Wing Yee (嚴詠怡女士) Mr. Wang Ping (王平先生) Mr. Yu Tsz Ngo (余子敖先生)

CORPORATE INFORMATION

Nomination Committee	Mr. Wang Ping (王平先生) *(Chairperson)* Ms. Yim Wing Yee (嚴詠怡女士) Mr. Lau Kwok Fai Patrick (劉國煇先生) Mr. Yu Tsz Ngo (余子敖先生)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Principal Bankers	**China Merchant Bank Shanghai Branch** No. 161, Lu Jia Zui Dong Road Pudong District, Shanghai PRC **China Construction Bank Shanghai Branch** No. 900, Lujiazui Ring Road Pudong District, Shanghai PRC **Industrial and Commercial Bank of China Limited Shanghai Beicai Branch** No. 146, Lianxi Road Pudong District, Shanghai PRC **The Hongkong & Shanghai Banking Corporation Limited, Main Office** HSBC Building 1 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the industry report commissioned by us and independently prepared by Frost & Sullivan, in connection with the [REDACTED]. In addition, certain information is based on, or derived or extracted from, among other sources, publications of different government authorities and internal organizations, market statistics providers, communications with various PRC government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of this information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information and statistics from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], [REDACTED], [REDACTED], [REDACTED], and the [REDACTED] or any other party involved in the [REDACTED] and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, the maternal and children nutritional product industry in the PRC for the period from 2018 to 2028. We agreed to pay Frost & Sullivan a fee of HK$1,020,000, which we believe reflects market rates for reports of this type.

We have included certain information from the Frost & Sullivan Report in this document because we believe this information facilitates an understanding of the maternal and children nutritional product industry in the PRC for the prospective investors. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the maternal and children nutritional product industry in the PRC. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

In compiling and preparing the research, Frost & Sullivan has developed its forecast on the bases and assumptions that (i) the economy in the PRC is likely to maintain stable growth in the next decade; (ii) the country and regions' social, economic and political environment are likely to remain stable in the forecast period; and (iii) the maternal and children nutritional product industry in the PRC is expected to grow based on the key industry drivers including rising national health and nutritional awareness as well as purchasing power of consumers and the Chinese culture of longing for children to thrive.

ABOUT FROST & SULLIVAN

Founded in 1961, Frost & Sullivan has more than 45 offices with more than 3,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence

and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has seven offices in the PRC and direct access to the knowledgeable experts and market participants in the maternal and children nutritional product market and its industry consultants, on average, have more than three years of experience.

DIRECTOR'S CONFIRMATION

Our Directors have confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF NUTRITIONAL PRODUCT INDUSTRY IN THE PRC

Definition and Segmentation of Nutritional Products

Nutritional products refer to products that are designed to provide essential nutrients and bioactive substances to balance the intake of nutrition and regulate bodily functions for specific groups of people. They are not intended to treat diseases, nor can they replace a normal diet, and they should not cause any acute, subacute, or chronic harm to the human body.

Nutritional products can be categorized into vitamins, animal and botanical products, minerals, and other nutritional products:

- Vitamin products include common ones like vitamins A, B, C, and D, which are mainly used to supplement essential nutrients needed by the body.
- Animal and botanical products include items such as fish oil, collagen, and herbal extracts, which are typically used to support cardiovascular health and joint care.
- Mineral products include elements like calcium, magnesium, and zinc, which help maintain bone health and promote metabolism.
- Other nutritional products encompass proteins, amino acids, probiotics, antioxidants, and fibers, which help enhance immunity, aid digestion, improve physical performance, and provide antioxidant benefits.

Market size analysis

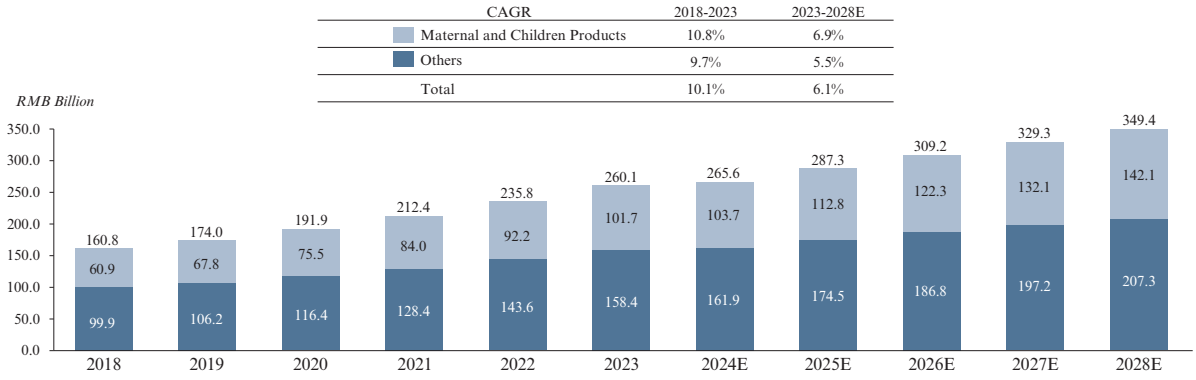
Market size analysis of nutritional products in the PRC

The nutritional product industry is divided into the maternal and children product market and the general market based on the target audience. The general market includes adults, seniors, and specific groups of people, with primary purposes such as supplementing an insufficient daily diet, improving health status, and preventing or promoting recovery from diseases. From 2018 to 2023, the overall market size of nutritional product in the PRC grew significantly, with the maternal and children product market increasing from RMB60.9 billion to RMB101.7 billion, representing a CAGR of 10.8% and accounting for 39.1% of the nutritional market in 2023. The general market, which includes all other target groups, also saw notable growth, contributing to the industry's expansion.

The nutritional product industry is highly competitive, with thousands of companies vying for market share, ranging from established brands to new entrants. Key challenges include regulatory changes, shifting consumer preferences, and fluctuating raw material costs, all of which are important risk factors to be considered.

In the future, as Generation Z becomes the main childbearing population with a more scientific approach to nutrition, the maternal and children product market is expected to become more segmented and professional. This segment is projected to continue growing at a CAGR of 6.9% from 2023 to 2028 supported by increasing health awareness and the rising demand for dietary supplement, reaching RMB142.1 billion by 2028. Meanwhile, the general market is anticipated to grow at a moderate pace among adults and seniors.

Market Size Breakdown of Nutritional Product Industry in the PRC by Audience, by Retail Sales Value, 2018–2028E



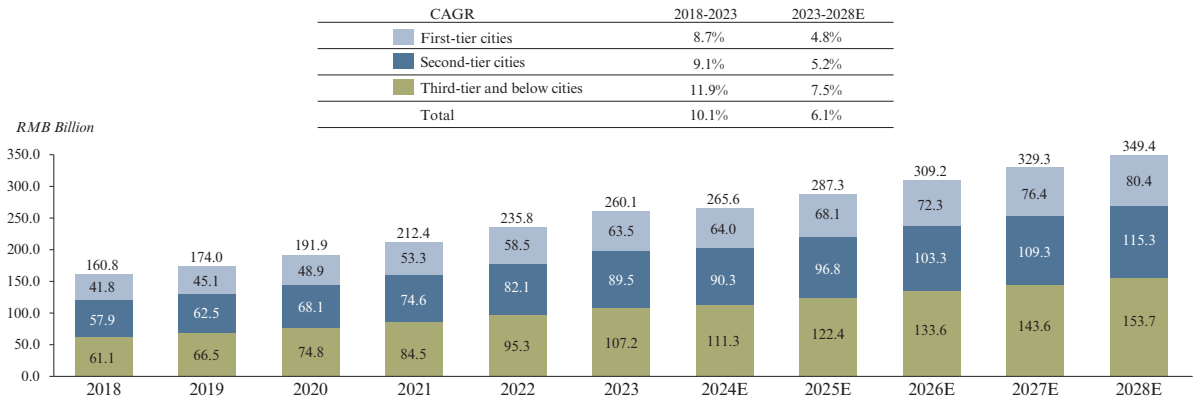
Source: Frost & Sullivan

In the past five years, the nutritional product industry in the PRC has experienced significant growth across different city tiers. Third-tier and below cities have shown the most remarkable expansion, driven by increasing health awareness and improving access to health products. The market size in these cities increased from RMB61.1 billion in 2018 to RMB107.2 billion in 2023, reflecting a robust CAGR of 11.9%. This growth is expected to continue, with a projected CAGR of 7.5% from 2023 to 2028, reaching RMB153.7 billion by 2028.

Second-tier cities have also seen substantial growth due to rapid economic development and rising consumer purchasing power. The market size in these cities grew from RMB57.9 billion in 2018 to RMB89.5 billion in 2023, representing a CAGR of 9.1%. This growth is expected to moderate, with a projected CAGR of 5.2% from 2023 to 2028, reaching RMB115.3 billion by 2028.

First-tier cities, characterized by higher economic levels and greater per capita consumption capacity, have experienced consistent growth. The market size in these cities increased from RMB41.8 billion in 2018 to RMB63.5 billion in 2023, with a CAGR of 8.7%. Moving forward, growth in first-tier cities is anticipated to be moderate, with a CAGR of 4.8%, reaching RMB80.4 billion by 2028.

Market Size Breakdown of Nutritional Product Industry in the PRC by City Tier, by Retail Sales Value, 2018–2028E



Note: New first-tier cities are included in the second-tier cities.

Source: Frost & Sullivan

Market size analysis of nutritional products in the selected third and fourth-tier cities

The nutritional product market in the third and fourth-tier cities in Guangdong Province, Jiangsu Province, Shandong Province, Zhejiang Province and Anhui Province has the potential for growth. Taking advantage of lower cost of living especially in accommodation, in lower-tier cities, consumers in the third and fourth-tier cities in Guangdong Province, Jiangsu Province, Shandong Provinces, Zhejiang Province, and Anhui Province can afford to live comfortably and have all the trappings of an upper-middle class lifestyle as these five provinces are considered as economically developed provinces in the PRC. The annual disposable income per capita in first-tier and second-tier cities of Guangdong Province, Jiangsu Province, Shandong Province, Zhejiang Province, and Anhui Province ranged from approximately RMB35,000 to RMB76,000, whereas the annual disposable income per capita in third-tier and fourth-tier cities of the above-mentioned five provinces ranged from approximately RMB25,000 to RMB68,000.

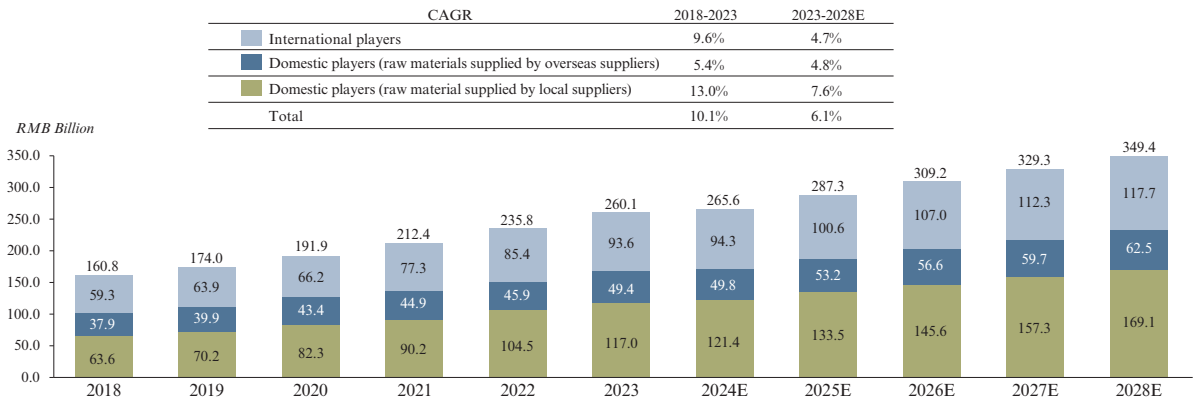
The total market size of nutritional products in the third and fourth-tier cities in Guangdong Province, Jiangsu Province, Shandong Province, Zhejiang Province, and Anhui Province increased impressively from approximately RMB14.3 billion in 2018 to RMB50.3 billion in 2023, representing a CAGR of approximately 28.6%. Stimulated by the growing income level and rising health awareness, it is anticipated that the market size of nutritional products in the third and fourth-tier cities in Guangdong Province, Jiangsu Province, Shandong Province, Zhejiang Province, and Anhui Province could continue to grow and reach approximately RMB149.1 billion in 2028.

Market size analysis of nutritional products breakdown by type of players

Between 2018 and 2023, the nutritional product industry in the PRC exhibited substantial growth from RMB160.8 billion in 2018 to RMB260.1 billion in 2023, with a CAGR of 10.1%. The market size of domestic players increased from RMB101.5 billion in 2018 to RMB166.4 billion in 2023, representing a CAGR of 10.4%. In particular, the domestic players sourcing raw materials locally saw a significant rise in market share. The market size of domestic players using locally supplied raw materials grew from RMB63.6 billion in 2018 to RMB117.0 billion in 2023, representing a CAGR of 13.0%. This shift is driven by several factors, including technological advancements, increased consumer trust in domestic products, and supportive government policies. Meanwhile, international players also experienced robust growth, with the market size increasing from RMB59.3 billion in 2018 to RMB93.6 billion in 2023, reflecting a remarkable CAGR of 9.6%. The market size of domestic players using raw materials supplied by overseas suppliers increased from RMB37.9 billion in 2018 to RMB49.4 billion in 2023, with a slower CAGR of 5.4%.

Looking ahead, the market for domestic players using locally supplied raw materials is projected to continue its upward trend, with the market size expected to reach RMB169.1 billion by 2028. The market size of international players are anticipated to grow to RMB117.7 billion by the same year, while that of domestic players using overseas-supplied raw materials are projected to grow to RMB62.5 billion. This ongoing growth highlights the increasing prominence of domestic brands and the evolving dynamics of the nutritional product industry in the PRC.

Market Size Breakdown of Nutritional Product Industry in the PRC by Type of Players, by Retail Sales Value, 2018–2028E



Source: China Chamber of Commerce for Import and Export of Medicines and Health Products, Frost & Sullivan

Overview of Algal Oil

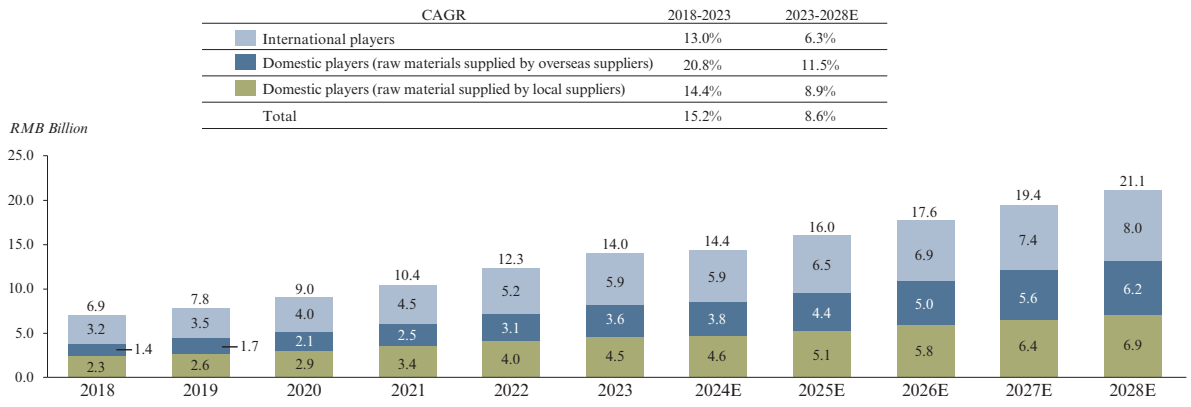
DHA market size analysis

International brands have traditionally relied on high-quality raw materials, continuous investment in research and development, and higher product quality to hold a significant market share in the early days. However, with technological breakthroughs by domestic algae oil DHA enterprises, the purity and quality of extracted DHA are continuously improving, and production costs are decreasing, boosting the growth of domestic players.

The market size of international players saw an incremental trend, climbing from RMB3.2 billion in 2018 to RMB5.9 billion in 2023, suggesting a CAGR of 13.0%. The retail sales value of domestic-branded algal oil DHA products made with raw materials imported from overseas accounted for 1.4% of the entire nutritional product industry in the PRC in 2023. In the next five years, the market is expected to expand to RMB8.0 billion by 2028. With the rise of domestic products and growing consumer recognition, the CAGR during this period is expected to moderate to 6.3%.

Conversely, the market size of domestic players increased from RMB3.7 billion in 2018 to RMB8.1 billion in 2023, and the robust growth is anticipated to continue, reaching RMB13.1 billion by 2028. Specifically, the market size of domestic players with raw materials supplied by overseas suppliers grew from RMB1.4 billion in 2018 to RMB3.6 billion in 2023, representing a robust CAGR of 20.8%, and it is expected to reach RMB6.2 billion by 2028. Meanwhile, the market size of domestic players with raw materials supplied by local suppliers increased from RMB2.3 billion in 2018 to RMB4.5 billion in 2023, with a CAGR of 14.4%, and it is anticipated to continue with a CAGR of 8.9% from 2023 to 2028, reaching RMB6.9 billion by 2028.

Market Size Breakdown of Algal Oil DHA industry in the PRC by Type of Players, by Retail Sales Value, 2018–2028E



Source: Frost & Sullivan

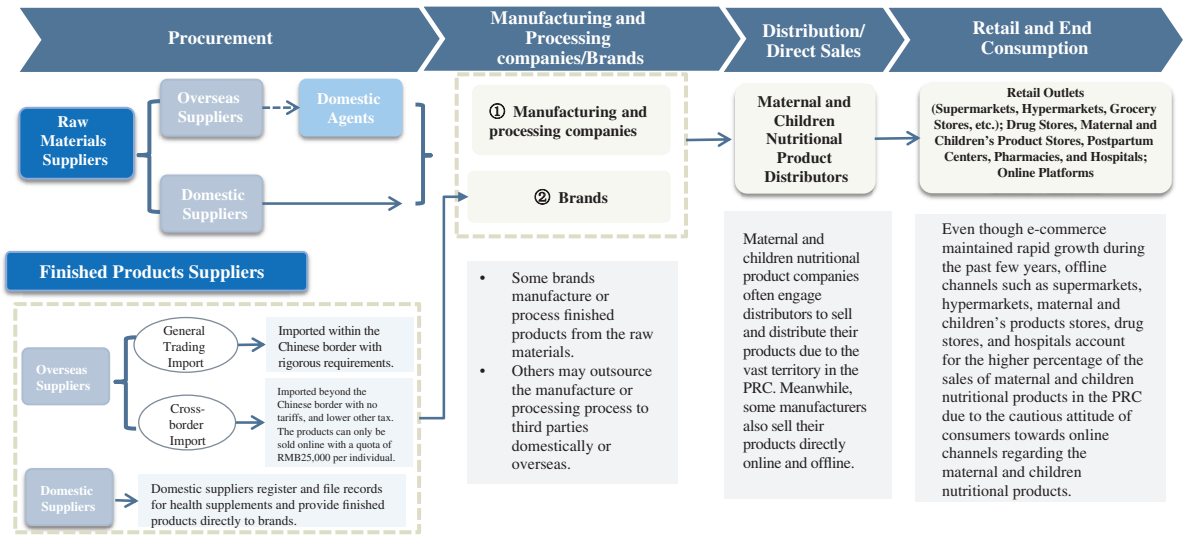
OVERVIEW OF MATERNAL AND CHILDREN NUTRITIONAL PRODUCT INDUSTRY IN THE PRC

Definition

Nutritional products refer to products taken orally that contain one or more ingredients such as DHA, vitamins, probiotics, or other supplements containing calcium, iron, etc., or any combination thereof that are intended to supplement the diet of the consumers. Maternal and children nutritional products are intended to supplement the nutrition apart from the daily diet for mothers in pregnancy preparation, child-bearing and of both mothers and children in early parenting stage (children aged 0–6).

Industry value chain analysis

Value Chain of Maternal and Children Nutritional Product Industry

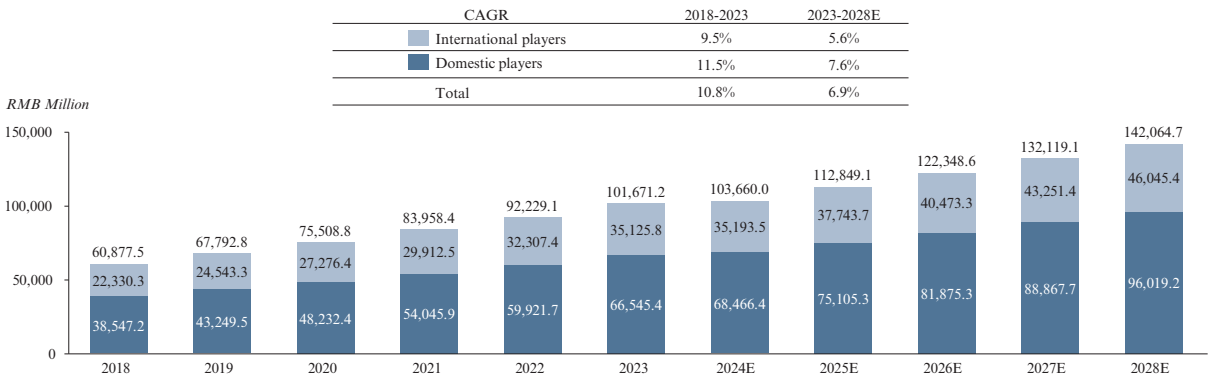


Source: Frost & Sullivan

Market size analysis

Market size of maternal and children nutritional product industry

Market Size Breakdown of Maternal and Children Nutritional Product Industry in the PRC by Type of Players, by Retail Sales Value, 2018–2028E



Source: Frost & Sullivan

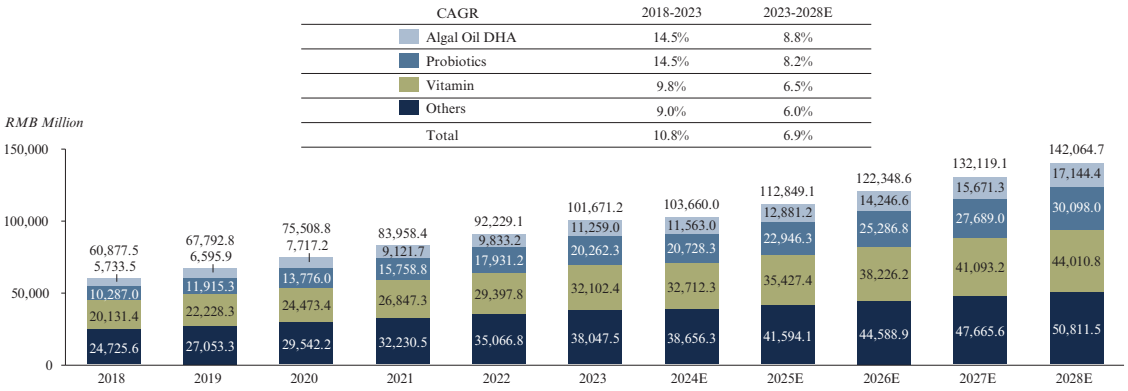
During the period from 2018 to 2023 the market size of maternal and children nutritional product industry steadily increased from approximately RMB60.9 billion in 2018 to RMB101.7 billion in 2023, representing a CAGR of approximately 10.8%, which was mainly contributed by the increasing health and nutritional awareness as well as purchasing power of customers and the Chinese culture of longing for children to thrive. As the market become mature, it is forecasted that the market size of maternal and children nutritional product industry will continue to increase and reach approximately RMB152.7 billion in terms of retail sales value by the end of 2028, representing a CAGR of approximately 8.5%. The market size generated from international players increased from RMB22,330.3 million in 2018 to RMB35,125.8 million in 2023, achieving a CAGR of 9.5%. This growth can be attributed to their strong brand equity, superior product quality, and effective marketing strategies. However, the growth rate for international players is projected to moderate to a CAGR of 5.6% from 2023 to 2028, with the market size expected to reach approximately RMB46,045.4 million by 2028.

In contrast, domestic players demonstrated a more robust growth trajectory, with their market size rising from RMB38,547.2 million in 2018 to RMB66,545.4 million in 2023, corresponding to a CAGR of 11.5%. This significant growth is driven by domestic players' in-depth understanding of local consumer preferences, competitive pricing strategies, and expanding distribution networks. Moving forward, domestic players are projected to maintain a strong growth rate with a CAGR of 7.6%, reaching RMB96,019.2 million by 2028. Although the decline in the birth rate may negatively affect the maternal and children nutritional product industry, the growing appreciation of the multi-faceted importance of maternal nutrition to the health and development of infants and toddlers is stimulating the demand for maternal and children nutritional products. Meanwhile, parents born in the 1990s and 1995s have taken over

as the core consumer group, which generally emphasises scientific and delicate parenting. Thus, the spending on maternal and children nutritional products has increased and is expected to continue to increase substantially.

Market size breakdown of maternal and children nutritional product industry

Market Size Breakdown of Maternal and Children Nutritional Product Industry in the PRC by Product Category, by Retail Sales Value, 2018–2028E



Note: Others include minerals, protein powder, folic acid, and special formula nutritional products, etc.

Source: Frost & Sullivan

During the period from 2018 to 2023, the maternal and children algal oil DHA segment demonstrated the fastest growth among all maternal and children nutritional products in the PRC in terms of retail sales value, which increased from approximately RMB5,733.5 million in 2018 to approximately RMB11,259.0 million in 2023, representing a CAGR of 14.5%. Meanwhile, the market size of the probiotics segment increased from approximately RMB10,287.0 million in 2018 to RMB20,262.3 million in 2023, representing a CAGR of 14.5%. The rapid growth of algal oil DHA and probiotics as compared to other maternal and children nutritional products was mainly contributed by the rising health consciousness among consumers, higher spending power, the development of new biotechnologies, and years of consumer education. Vitamin has been the largest sub-segment of the maternal and children nutritional product market and is likely to continue to be the largest sub-segment due to increased awareness about the prevalence of vitamin deficiencies and their effect during pregnancy. Due to the economic downturn, consumers' willingness to spend on non-essential goods decreased. As a result, the growth of the maternal and children's nutritional product market in the PRC slowed in 2024, as households prioritized essential expenditures and became more cautious with their spending on non-essential health products. Particularly in the first half of 2024, as the strong release of consumer demand in 2023 further dampened spending willingness, leading to an additional reduction in non-essential purchases. Moreover, it is forecasted that algal oil DHA and probiotics will maintain high growth rates than other sub-segments and reach approximately RMB17,144.4 million and RMB30,098.0 million in retail sales value in 2028, respectively.

OVERVIEW OF MATERNAL AND CHILDREN ALGAL OIL DHA INDUSTRY IN THE PRC

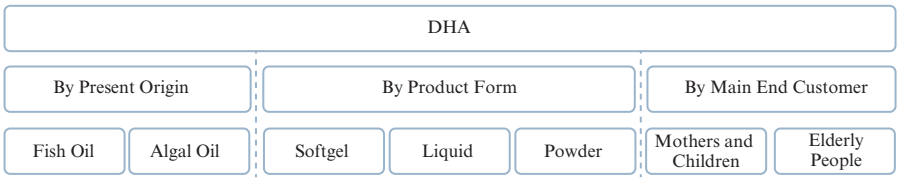
Definition

DHA refers to docosahexaenoic acid, which is an essential fatty acid, widely present in algae, certain fishes, marine animal oils, etc. Low content of DHA is related to the occurrence of cognitive decline for elderly people, supported by several observational studies. Regular DHA intake for elder people can considerably reduce the risk of developing Alzheimer's and other age-related cognitive decline.

The end products of DHA can be presented in the form of liquid, softgel and powder to meet different demands from downstream customers, while the largest proportion is presented in softgel form.

DHA can be classified into fish oil DHA and algal oil DHA by present origins. Algal oil DHA is more suitable for pregnancy women and toddlers while fish oil DHA is for elderly people, with regards to the effects of each category. In addition, the recent release of nuclear contaminated wastewater by Japan has raised some concerns on fish-related products in the PRC.

Classification



Source: Frost & Sullivan

Market size analysis

Market segmentation of maternal and children algal oil DHA industry

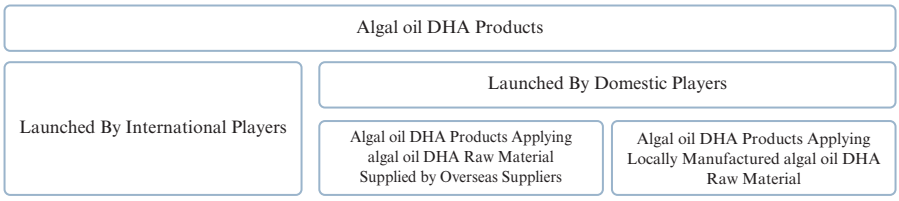
According to the origins of the algal oil DHA products, the maternal and children algal oil DHA market can be divided into products launched by international players and domestic players, where products labelled with domestic brands could be further categorised into products with the introduction of locally produced and imported algal oil DHA raw material.

International Players

Maternal and children algal oil DHA products launched by international players are transacted via cross-border trade between countries mainly through business-to-business and business-to-consumer by business form, which are mostly traded via online channels in the PRC market. As food security of maternal and children related products has been a cause of concern, products launched by international players are progressively gaining popularity in the PRC market.

Domestic Players

As for the finished maternal and children algal oil DHA products, including imported finished and domestically processed, released by domestic brands, the quality is variable among products, where the supplier of the algal oil DHA raw material is considered as the main indicator. Specifically, products made from algal oil DHA raw material supplied by overseas suppliers are regarded as having higher quality than those made from locally produced algal oil DHA raw material among counterparties.



Source: Frost & Sullivan

Market size analysis of maternal and children algal oil DHA industry

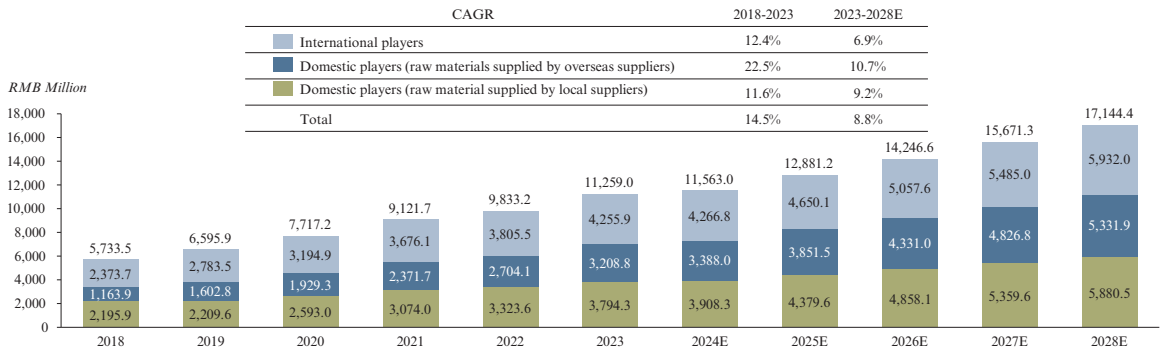
The maternal and children algal oil DHA market in the PRC has experienced continuous growth over the past five years from 2018 to 2023, with the retail sales value rising from approximately RMB5,733.5 million in 2018 to approximately RMB11,259.0 million in 2023, representing a CAGR of 14.5%. Thanks to the rapid development of multi-channels over the past few years, the sales channels to the end customers were remarkably broadened and diversified, covering these territories that offline stores alone were used to be incapable of deployment. In addition, consumption upgrading, which can be indicated by the fact that the per capita disposable income of residents nationwide and per capita consumption expenditure have both represented a robust CAGR of 6.8% and 6.2% from 2018 to 2023, and growing awareness of algal oil DHA were also attributing factors. The maternal and children's algal oil DHA product market was driven by contributions from international players, domestic suppliers using overseas-sourced algal oil DHA raw materials, and those utilizing locally manufactured algal oil DHA raw materials, accounting for approximately 37.8%, 28.5%, and 33.7% of the market, respectively.

In the first half of 2024, domestic consumption weakened due to the economic downturn in China, leading to softened demand for algal oil DHA as a non-essential product. In 2024, the economic downturn resulted in weak consumer expenditure, with per capita consumer expenditure nationwide rising by 6.8% from the six months ended 30 June 2023, to the six months ended 30 June 2024. This reflects a slowdown in growth compared to the 8.4% increase observed from the six months ended 30 June 2022, to the six months ended 30 June 2023, contributing to weaker market performance in the first half of 2024 compared to the same period in 2023. This trend is further reflected in total retail sales of consumer goods in the PRC, which reached RMB23.6 trillion in the first half of 2024, marking a modest increase of just 3.7% compared to the previous year. In contrast, retail sales in the first half of 2023 had risen by 8.2% from the first half of 2022, highlighting the impact of the economic downturn on consumer confidence and expenditure. In addition, the discharge of contaminated water from Japan's nuclear facilities has significantly raised safety concerns among consumers, prompting an

increase in stockpiling behavior in 2023 as individuals sought to secure their supply of algal oil DHA products. As a result, this led to a substantial surge in demand for these products that year, ultimately having a negative impact on sales in 2024.

The per capita food & tobacco & liquor expenditure in the PRC has grown from RMB5,631 in 2018 to RMB7,983 in 2023 at a CAGR of 7.2%, indicating an increasing purchasing power of consumers. In response to the consumption upgrading, the average price of the maternal and children algal oil DHA product consumed in Chinese market is estimated to increase accordingly. From the demand end, the benefit of intake of algal oil DHA is progressively cultured in the Chinese market, which increases the penetration rate of the products, especially into lower-tier cities, indicating a growing demand in the future. Upheld by the sound and healthy economy in the PRC, the growth of the maternal and children algal oil DHA market is expected to continue with the upward momentum, with the market size reaching approximately RMB17,144.4 million in 2028 at a CAGR of 8.8% over the period from 2023 to 2028.

Market Size Breakdown of Maternal and Children Algal Oil DHA Product Industry in the PRC by Type of Players, by Retail Sales Value, 2018–2028E



Source: Frost & Sullivan

Market drivers of the maternal and children algal oil DHA industry in the PRC

Increasing purchasing power

According to NBSC, the disposable income per capita in the PRC increased from approximately RMB28.2 thousand in 2018 to approximately RMB39.2 thousand in 2023, representing a CAGR of 6.8%, indicating a higher purchasing power of PRC consumers. As a result, the sales of consumer goods in the PRC increased from approximately RMB37.8 trillion in 2018 to approximately RMB47.1 trillion in 2023. In the first half of 2024, the per capita disposable income of residents nationwide was RMB20,733, representing a growth of 5.4%, however, the total retail sales of consumer goods in the PRC, which amounted to RMB23.6 trillion in the first half of the year, reflecting a modest increase of only 3.7%. With increasing disposable income and purchasing power, consumers in the PRC tend to pay more attention to their health issues, and are more willing to purchase nutritional products in the hope of

maintaining or improving their physical conditions. Benefiting from the climbing income and purchasing power of domestic consumers, the maternal and children algal oil DHA market in the PRC is likely to further flourish in the foreseeable future.

Rising awareness over algal oil DHA

With the development of new media, people are gaining awareness of algal oil DHA through the flush information from all aspects of life, such as word of mouth between friends, advertisements in diversified platforms, etc. Moreover, in response to the unprecedently fast improving life quality, the health topic is overwhelmingly drawing people's attention especially in relation to pregnant women and children. The fast-improving life quality is reflected in some economic indicators of the PRC, such as the increased disposable income per capita and expenditure on consumer goods over the past five years as indicated above. On one hand, the growing awareness over health, environment protection, social responsibility, etc., facilitate the improvement of life quality. On the other hand, these brand owners are cultivating the public on the benefit of algal oil DHA intake, in the hope of enlarging their range of target customers.

Future Trends of the maternal and children algal oil DHA industry in the PRC

Expanding online channels

The online channels of maternal and children algal oil DHA have witnessed rapid growth over the past few years and the trend is expected to continue in the following few years. The increasing popularity of online channels of maternal and children algal oil DHA is greatly driven by the advantageous word of mouth that imported products have received more preferences than products made domestically. Besides, consumers are more inclined to purchase products directly based on referrals from friends or KOLs on social media platforms.

Major brands of nutritional products have been investing more and more on marketing and promotion in recent years for strengthening their brand recognition, in particular for online marketing and promotion on different social media platforms and attracting traffic to online sales channels. For example, one of the major brands of nutritional products incurred marketing and promotion expenses which account for approximately 28.9% of the revenue in 2023. There is a correlation between the level of marketing and promotion expenses devoted to online marketing channels and the amount of sales recognised on online channels, provided the right marketing strategies and channels are adopted.

More mature regulatory system

Due to the complicated registration process and divergent regulatory system from international standards, the development of the maternal and children algal oil DHA market has been significantly impeded, discouraging the launch of products from other countries. End customers have no choice but to purchase these products even without obtaining certificate or getting inspected, further hindering the overall product quality of material and children algal oil DHA. Looking forward, both the regulatory system and market itself are progressively becoming more mature and efficient, inviting more domestic and international players to engage in the market.

Opportunities of the maternal and children algal oil DHA industry in the PRC

Great potential in lower-tier cities

Maternal and children algal oil DHA market is relatively mature and saturated in tier 1 cities, including Shanghai, Beijing, Guangzhou and Shenzhen, where the awareness of preventative healthcare has been cultivated, calling for product upgrading. By comparison, the formation of DHA market in lower tier cities is in progress under the widespread marketing on new product innovation, enhanced effectiveness and product safety from the manufacturers. Lower tier cites can be exploited with attractive potential for the early movers.

Omni-channel retail

In order to reach a broad set of customers, maternal and children nutritional product companies are trying to diversify the sales channels. Given that the internet provides customers with better price transparency, more convenient shopping experiences and detailed product information than offline shopping, it is expected that distribution channels of maternal and children algal oil DHA will undergo revolutionary transformation to omni-channel retailing with an increasing proportion of sales revenue realised in online channels. Specifically, companies culture the public on maternal and children algal oil DHA and increase product stickiness by offline channels from hospitals, pharmacies and maternal and baby stores, while online channels focus on closing deals.

Production diversification

Organic concept has swept the whole food related industries, which is regarded as an assurance of food quality, especially in the tier 1 cities, where people place emphasis on food quality and prefer natural biodiverse over genetically engineered sources. Replacement with the organic raw material can be an opportunity for the manufacturers. Apart from the category sophistication in raw material, that in packaging, product appearance, product flavour and element containment of product also provide the chance for players to capture as a possible source of incremental growth especially in the market for children and pregnant women.

Threats of the maternal and children algal oil DHA industry in the PRC

Varied product quality

Over the past few years, the regulatory institution has continuously detected certain algal oil DHA that might contain unauthorised elements in the products for pregnant women and children. In response to such findings, the customers might be reluctant or more cautious towards taking algal oil DHA, which jeopardises the development of the maternal and children algal oil DHA market. This issue needs to be addressed by the coordination between leading players and government to set up a stringent standard for maternal and children algal oil DHA market. On the other hand, these algal oil DHA products bought from the unofficial channels should be regulated and under surveillance in order to guarantee the overall product quality in the PRC.

Ranking in the algal oil DHA industry in the PRC

The total retail sales value of algal oil DHA products was approximately RMB14,045.4 million in 2023, which was contributed by international brands and domestic brands. The competition in the algal oil DHA market is intensifying, leading to a relatively fragmented market share. Competitors differentiate their products by emphasizing the source of algae oil DHA, dosage levels, taste profiles, innovative shapes (such as small fish shapes for easy dispensing), and forms of intake (such as gummy candies or strip supplements).

For FY2023, the aggregate value generated from the sales of algal oil DHA products from the top five brands was approximately RMB2,579.9 million, contributing 18.4% to the entire market. The Group ranked first in terms of retail sales value of RMB658.8 million generated and took up a share of approximately 4.7% in the algal oil DHA market in the PRC in 2023.

Top 5 Algal Oil DHA Brands in the PRC in 2023

Ranking	Brand Name	Listing Status	Retail sales value of algal oil DHA products in 2023 (RMB million)	Market share in 2023
1	**The Group**	**Private**	**658.8**	**4.7%**
2	Brand A[1]	Private	585.7	4.2%
3	Brand B[2]	SZ.300146	576.2	4.1%
4	Brand C[3]	Private	397.2	2.8%
5	Brand D[4]	Private	362.0	2.6%
Top 5			**2,579.9**	**18.4%**
Total			**14,045.4**	**100%**

Notes:

(1) It is an Australian brand headquartered in Sydney with nutritional products for children and adults as main products.

(2) It is a leading supplier of dietary nutritional products and sports foods in China.

(3) It is a leading German brand focusing on nutritional products for infants, children, and adolescents.

(4) It is a nutritional product brand in China targeting pregnant women and infant.

Source: Frost & Sullivan

For FY2023, the aggregate value generated from the sales of algal oil DHA products from the top five domestic brands was approximately RMB1,999.6 million, contributing 24.5% to the relevant market. The Group ranked first in terms of retail sales value of RMB658.8 million generated and took up a share of approximately 8.1% in the algal oil DHA market in the PRC in 2023.

Top 5 Algal Oil DHA Domestic Brands in the PRC in 2023

Ranking	Brand Name	Listing Status	Retail sales value of algal oil DHA products in 2023 (RMB million)	Market share in 2023
1	**The Group**	**Private**	**658.8**	**8.1%**
2	Brand B	SZ.300146	576.2	7.1%
3	Brand D	Private	362.0	4.4%
4	Brand E[1]	Private	246.1	3.0%
5	Brand F[2]	Private	156.5	1.9%
Top 5			**1,999.6**	**24.5%**
Total			**8,146.3**	**100%**

Notes:

(1) It is a pharmaceuticals company in the PRC primarily providing medicine and nutritional products.

(2) It is a company that serves pregnant women, infants, and children in China, with main products imported in original packaging.

Source: Frost & Sullivan

Ranking in the maternal and children algal oil DHA industry in the PRC

The total retail sales value of maternal and children algal oil DHA products was approximately RMB11,259.0 million in 2023, which was contributed by international players and domestic players made from algal oil DHA raw material supplied by overseas suppliers and those supplied by domestic players applying locally manufactured algal oil DHA raw material at approximately 37.8%, 28.5% and 33.7%, respectively. Considering that the food security of maternal and children-related products is given special attention, people are more inclined to purchase products launched by international players and domestic players with the application of algal oil DHA raw material supplied by overseas suppliers, the aggregate share of which accounted for 66.3% in terms of retail sales value in 2023.

In 2023, the market size of the maternal and children algal oil DHA products made from algal oil DHA raw material supplied by overseas suppliers among domestic brands in the PRC in terms of retail sales value was approximately RMB3,208.8 million. This specific market was considered concentrated for FY2023 in terms of retail sales value. The market was shared by approximately 35 players with maternal and children algal oil DHA made from raw materials supplied by overseas suppliers. Leading players who have formed stable contracts with world-famous algal oil DHA suppliers display a strong market presence in the PRC and benefit from the established reputation and recognition of their products. There are currently about 100 participants in the maternal and children algal oil DHA industry. These players face risks related to high production costs, which can squeeze profit margins, especially as raw materials and technology costs rise. Additionally, the market is sensitive to consumer awareness and education, meaning shifts in public perception about the health benefits of DHA could impact demand. For FY2023, the aggregate value generated from the sales of maternal and children

algal oil DHA products with algal oil DHA raw material supplied by overseas suppliers from the top five domestic brand names was approximately RMB1,997.4 million, contributing 62.3% to the entire relevant market.

Top 5 Maternal and Children Algal Oil DHA Domestic Brands with the Application of Algal Oil DHA Raw Material Supplied by Overseas Suppliers in the PRC in 2023

Ranking	Brand Name	Listing Status	Retail sales value of maternal and children algal oil DHA products in 2023 (RMB million)	Market share in 2023	Average Product Price and Price Range (RMB per capsule)
1	**The Group**	**Private**	**658.8**	**20.5%**	**Average price: 5.4 Price Range: 2.0-9.5**
2	Brand B	SZ.300146	574.0	17.9%	Average price: 5.9 Price Range: 2.6-10.1
3	Brand D	Private	362.0	11.3%	Average price: 5.9 Price Range: 4.3-12.5
4	Brand E	Private	246.1	7.7%	Average price: 3.3 Price Range: 1.7-5.0
5	Brand F	Private	156.5	4.9%	Average price: 5.2 Price Range: 3.3-7.8
Top 5			**1,997.4**	**62.3%**	
Total			**3,208.8**	**100%**	

Note:

Brand B: It is one of the top nutritional brands in China,known for high-quality DHA products for mothers and children.

Brand D: It is a brand that focuses on innovative health products, including algal oil DHA for child development.

Brand E: It is a brand known for premium algal oil DHA supplements for maternal and infant nutrition.

Brand F: It is a brand that offers family health products,emphasizing high-quality algal oil DHA for optimal growth.

Source: Frost & Sullivan

Our Group ranked first in terms of retail sales value of RMB658.8 million generated and took up a share of approximately 20.5% for FY2023.

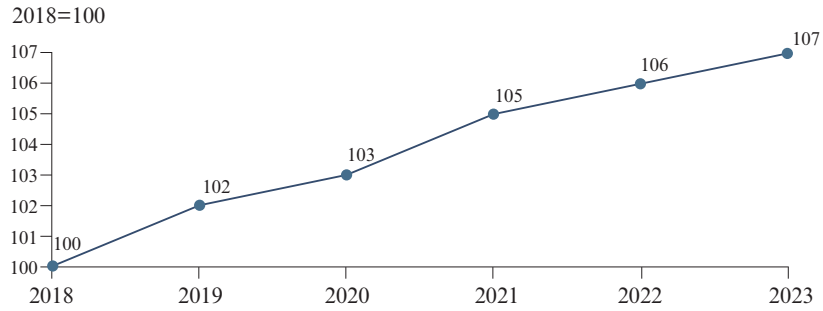
Historical price trends of algal oil DHA raw material

The main purpose of the procurement is to source algal oil DHA raw material or the finished products incorporated into diversified forms internationally or domestically, the prices of which co-move in the PRC market. As for algal oil DHA industry, the price of the algal oil DHA raw material in the PRC is determined by the balance between the demand and supply, and exchange rate, which witnessed a CAGR of approximately 1.4% from 2018 to 2023. Mainly driven by the growing awareness and consumption upgrading in the PRC, the price of algal oil DHA raw material is expected to continue with the upward trend in the following years.

The contracts of algal oil DHA raw material between suppliers and downstream brand-owners are mostly locked on a long-term basis in algal oil DHA industry. In other words, from the demand side, the prices of algal oil DHA raw material among brand owners are distinctive, which is driven mainly by two reasons. Firstly, there is no standardised contract with

regards to the duration and the initiation time in the industry, leading to the diversified periodicity of risk exposure in relation to the price fluctuation in raw material. Secondly, the bargaining power among downstream brand owners is not identical, where brand owners with large volume on purchasing orders are able to negotiate with the suppliers at a concession price and even enact supplementary clauses on co-undertaking potential risks embedded in the procurement.

Price Index of Algal Oil DHA Raw Material in the PRC, 2018–2023



Source: Frost & Sullivan

OVERVIEW OF MATERNAL AND CHILDREN PROBIOTICS INDUSTRY

Definition and classification

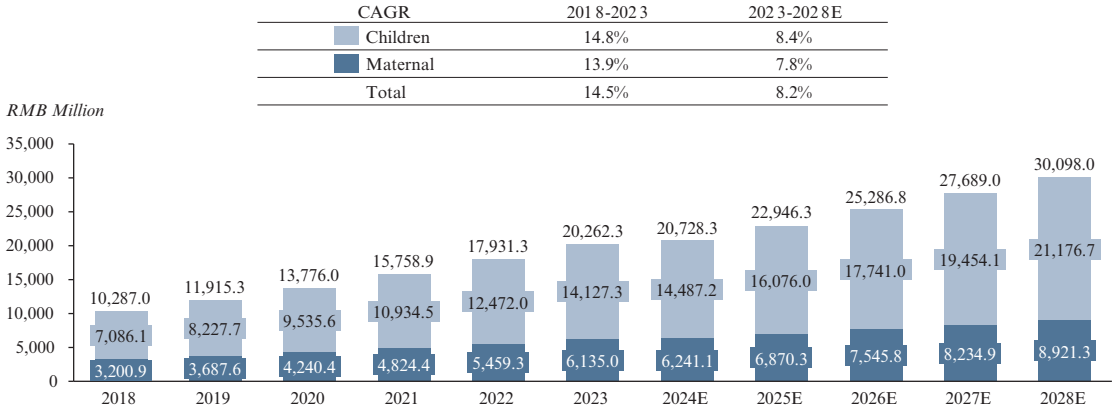
Probiotics are live microorganisms that confer a health benefit on the host when administered in adequate amounts. These microorganisms are typically bacteria but can also include certain yeasts. Probiotics are often called "good" or "friendly" bacteria because they help maintain a healthy balance of microorganisms in the gut microbiome. They can be found in certain foods such as yoghurt, kefir, and sauerkraut or taken as supplements. The potential health benefits of probiotics include improved digestion, enhanced immune function, and the prevention and treatment of certain gastrointestinal disorders. Due to its diversified functions, it has been one of the most popular functional food additives.

The end products of probiotics can be presented as liquid and powder to meet different demands from end customers. Dairy products account for approximately 80% of probiotic food products in daily life, especially fermented milk and lactobacillus beverage products. The most commonly consumed probiotics are strains of two main species: Bifidobacterium and lactobacillus. Each probiotic strain has a different effect on the body.

With increasing healthcare awareness and the intensified promoting activities on the healthcare function of probiotic products, Chinese consumers (infants, children and adults) have become interested in probiotics products, especially in the middle-sized and large-sized cities. Probiotic supplements are specifically suitable for infants and children of a young age when their immune systems are undergoing development.

Market size analysis of maternal and children probiotics industry

Market Size Breakdown of Maternal and Children Probiotics Industry in the PRC by Audience, by Retail Sales Value, 2018–2028E



Source: Frost & Sullivan

From 2018 to 2023, the market size of the maternal and children probiotics industry in the PRC increased at a double-digit CAGR of 14.5%, mainly driven by the development of the children probiotics sub-segment. The market size of children's probiotics in terms of retail sales value increased from approximately RMB7,086.1 million in 2018 to approximately RMB14,127.3 million in 2023, representing a CAGR of 14. 8%. The rapid increase was underpinned by the strong demand and rising awareness of maintaining digestive health and boosting children's immune systems in higher-income families. In the first half of 2024, the economic downturn led to overall weak consumption, prompting consumers to reduce spending on non-essential goods, which negatively impacted the maternal and children probiotics market. It is forecasted that the growth trend may continue in the next five years due to the accelerating penetration of online channels, making good quality probiotics products more accessible to consumers in lower-tier cities. The retail sales value of children's probiotics products in the PRC is projected to achieve approximately RMB21,176.7 million in 2028 with a CAGR of 8.4% from 2023 to 2028.

Major drivers of maternal and children probiotics industry in the PRC

Favourable policy environment

In 2017, China released the "National Nutrition Plan (2017–2030)", which first proposed to "integrate nutrition into all health policies". Subsequently, President Xi Jinping officially proposed the "Healthy China 2030" strategy in the report of the 19th National Congress. Since then, various policies related to reasonable nutrition have been intensively implemented and interconnected, creating a favourable environment and opportunities for probiotic products. Heavy investment directed towards research and development of probiotics products has led to the development of more effective species, which drives the development of the probiotic nutritional product market.

Growing concern for the gut health

The growing consumer awareness about gut health is expected to fuel the growth of the probiotics market. Guts are 70% responsible for keeping the immune system strong, keeping the body fit, and reducing obesity. Probiotics help treat diseases such as intestinal inflammation, urogenital infections, and antibiotic-associated diarrhoea by fighting against bad bacteria in the guts. Just as adults and older children can have an unbalanced digestive flora, it can also happen to more vulnerable infants. Therefore, it is significant for infants to take probiotics products to help prevent many infant conditions including gastroenteritis and diarrhoea.

Future trends of maternal and children probiotics industry in the PRC

Product innovation

Innovations in flavours and functional ingredients boost the maternal and children probiotics market. The manufacturers of these foods and ingredients are laying special emphasis on balancing functional benefits and flavour. Technological advances have enabled the development of products that mask the unpleasant taste of some functional ingredients and increase the shelf life of functional ingredients. For instance, effective microencapsulation allows manufacturers to hide the bitter taste of amino acids and other ingredients. Moreover, innovations are also happening in packaging, designing, and labelling. Production processes have become faster, enabling faster delivery of products to retailers and accelerating the development of the maternal and children probiotics industry.

Wider application range of probiotics

Probiotics are mostly consumed as functional foods and drinks. However, their use is gradually expanding in skin care and personal care. Many clinical studies conducted and published by the American Academy of Dermatology and British Journal of Dermatology concluded probiotics' advantages for achieving better skin. Clinical studies have proved that probiotics form a protective layer that prevents skin from inflammation, UV-rays, and dehydration. The players in the market are starting to recognise the potential of probiotics in personal care and introducing relevant products.

Opportunities and threats of maternal and children probiotics industry in the PRC

Opportunities

Growing Health Awareness

In the PRC, there is a notable rise in health consciousness among consumers, particularly concerning maternal and child health driven by increased access to information through the internet, social media, and educational campaigns that emphasize the importance of gut health and immunity. Consumers are becoming more knowledgeable about the benefits of probiotics, understanding how they can enhance digestion, prevent common ailments, and support overall health. As a result, the growing emphasis on maintaining health through nutrition and supplements is significantly driving the demand for probiotic products tailored for mothers and children.

Expansion of E-commerce

The rapid expansion of e-commerce in China provides a robust platform for the probiotics industry to reach a wider audience. Online retail channels allow companies to market products directly to consumers, leveraging digital marketing strategies and data analytics to optimize their offerings. E-commerce platforms also facilitate easier access to rural and remote areas, where traditional retail penetration may be limited, thereby expanding market reach and driving sales growth. Additionally, the integration of live streaming into e-commerce enables brands to create more dynamic and informative shopping experiences, educating consumers about the benefits of probiotics and enhancing engagement and trust.

Threats

Regulatory Hurdles

Despite government support, the probiotics industry faces stringent regulatory requirements and a complex approval process in China. Companies must navigate the regulatory landscape, which includes obtaining necessary certifications and complying with safety and efficacy standards. The National Health Commission of China (國家衛生健康委) updated the "List of Strains Available for Food" and "List of Strains Available for Infant Food" to standardize the production licensing for strains and their preparations used in food processing and mandates that companies must accurately label these strains and preparations. This regulatory framework is designed to enhance product quality and safety, but it also requires companies to continually innovate and maintain high transparency and accountability standards in product ingredients and marketing.

Fierce Competition

The probiotics market in China is highly competitive, with numerous domestic and international brands vying for market share. The issue of product homogeneity exacerbates the competition, making it difficult for brands to stand out. Building and maintaining consumer trust is crucial. Companies have to invest heavily in research and development to ensure the quality and effectiveness of their products. Additionally, they need to implement robust marketing strategies to differentiate their products and establish a strong brand presence in the market.

Competitive landscape overview

The maternal and children probiotics industry in the PRC is becoming increasingly competitive, with a growing number of companies entering the market. The market is relatively fragmented because of the presence of numerous players of varying sizes. There are six major renowned brands of maternal and child probiotics suppliers, including Numans. In addition to these established players, many smaller companies are entering the market, particularly in the e-commerce space. These companies leverage online platforms to reach a wider audience and offer diverse probiotic products. The players compete based on price, quality, innovation, reputation, and distribution.

The competition among the companies may force them to reduce their product prices, negatively affecting their margins and market growth. The market has witnessed frequent mergers, acquisitions, and strategic alliances in recent years. Some industry participants extensively invest in research and development to enhance their product portfolio and gain market share. At the same time, other players use online sales, multi-level marketing, and distribution networks to increase their competitive advantage. Overall, the competition in the maternal and children probiotics industry in the PRC is expected to continue to intensify and fragment as more companies enter the market and seek to differentiate themselves through product innovation, marketing strategies, and partnerships with healthcare providers.

Ranking in the maternal and children probiotics industry in the PRC

The total retail sales value of maternal and children probiotics products was approximately RMB20,262.3 million in 2023. The industry is relatively deconcentrated with the aggregate share of the top 5 brands accounting for 17.6% in terms of retail sales value in 2023. The market is competitive with approximately 120 players which have a limited number of sizable market players. The maternal and children probiotics industry in PRC faces risks from strict regulatory approvals for product claims, which can defer market entry. Additionally, changing consumer preferences for natural or organic ingredients, as well as increasing competition from both domestic and international brands, pose significant challenges to maintaining market share by existing market players. The Group had a market share of approximately 0.2% in the maternal and children probiotics industry in the PRC in 2023.

Top 5 Maternal and Children Probiotics Brands in the PRC in 2023

Ranking	Brand Name	Listing Status	Retail sales value of maternal and children probiotics products in 2023 (RMB million)	Market share in 2023
1	Brand G[1]	HK.01112	1,273.9	6.3%
2	Brand H[2]	Private	1,092.2	5.4%
3	Brand I[3]	Private	505.7	2.5%
4	Brand J[4]	Private	424.8	2.1%
5	Brand K[5]	Private	262.9	1.3%
Top 5			3,559.5	**17.6%**
Total			20,262.3	**100%**

Notes:

(1) It is a leading nutritional product brand, particularly in the maternal and children's products sector, including probiotics and milk powder.

(2) It is an international probiotics brand, particularly focusing on maternal and children's probiotics products.

(3) It is an international probiotics brand, with a strong emphasis on children's probiotic products.

(4) It is an international dietary supplement brand, with probiotics as its main products.

(5) It is an international brand, specializing in providing maternal and children's food and dietary supplements.

Source: Frost & Sullivan

REGULATIONS ON FOREIGN INVESTMENT

The establishment, operation and management of companies in the PRC shall be subject to the Company Law of the PRC (《中華人民共和國公司法》, the "**PRC Company Law**"), which was promulgated by the SCNPC on 29 December 1993, implemented on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023. The PRC Company Law applies to all companies established in the PRC, including foreign-invested companies, except otherwise provided by relevant laws or regulations on foreign investment.

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, the "**Foreign Investment Law**") adopted by the NPC on 15 March 2019 and came into force on 1 January 2020, the State shall implement the management systems of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to the treatment given to foreign investors and their investments during the investment access stage, which is not lower than that given to their domestic counterparts. The negative list refers to special administrative measures for the access of foreign investment in specific fields as stipulated by the State. The State shall give national treatment to foreign investment beyond the negative list. The organisation form, institutional framework and standard of conduct of a foreign-funded enterprise shall be subject to the provisions of the PRC Company Law and the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》), and other laws. Foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment. For any field restricted by the negative list, foreign investors shall conform to the investment conditions as required in the negative list, and fields not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly.

Along with the Foreign Investment Law's coming into effect on 1 January 2020, the Law on Sino-Foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), the Law on Wholly Foreign-owned Enterprises of the PRC (《中華人民共和國外資企業法》) and the Law on Sino-Foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) were repealed simultaneously, and foreign-funded enterprises which were established in accordance with such laws before the implementation of the Foreign Investment Law may retain their original organisation forms and other aspects for five years upon the implementation hereof.

On 26 December 2019, the Implementing Regulations of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》, the "**Implementing Regulations**") was promulgated by the State Council and came into effect on 1 January 2020, which further replaced the Implementing Regulations of 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實施條例》), the Interim Provisions on the Joint Operation Period of Sino-foreign Equity Joint Ventures (《中外合資經營企業合營期限暫行規定》), the Rules for the Implementation of the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法實施細則》) and the Rules for the Implementation of the Law of the PRC on Sino-foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法實施細則》). According to the Implementing Regulations, the registration of a foreign-invested enterprise shall be processed pursuant to the law by the market regulation department of the State Council

or its authorised local counterparts. A foreign investor or a foreign-invested enterprise shall submit investment information to the competent commerce department via the enterprise registration system and the enterprise credit information publicity system. The Foreign Investment Law and the Implementing Regulations also apply to the investment made by a foreign-invested enterprise in the PRC.

On 30 December 2019, the MOFCOM and the SAMR jointly promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》, the "**Reporting Measures**"), which came into effect on 1 January 2020 and replaced the Provisional Measures on Record-filing Administration over the Establishment 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》) simultaneously. Pursuant to the Reporting Measures, a foreign investor or a foreign-invested enterprise shall report investment information by submitting initial report, changing report, deregistration report, annual report and etc.

Investment activities in the PRC conducted by foreign investors shall comply with the Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002. The Foreign Investment Catalogue (2017 Revision) (《外商投資產業指導目錄(2017年版)》) was jointly promulgated by the NDRC and the MOFCOM on 28 June 2017 and came into force on 28 July 2017. On 28 June 2018, the Special Administrative Measures for Foreign Investment Access (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the "**Negative List (2018 Edition)**") was promulgated by the NDRC and the MOFCOM and came into force on 28 July 2018, pursuant to which the special administrative measures for the market entry of foreign investment (negative list for the market entry of foreign investment) in the Foreign Investment Catalogue (2017 Revision) were simultaneously repealed. On 30 June 2019, the Special Administrative Measures for Foreign Investment Access (Negative List) (2019 Edition) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the "**Negative List (2019 Edition)**") and the Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄(2019年版)》) were promulgated by the NDRC and the MOFCOM and came into force on 30 July 2019, whereby the Negative List (2018 Edition) and the catalogue of encouraged industries for foreign investment in the Foreign Investment Catalogue (2017 Revision) were simultaneously repealed. On 23 June 2020, the Special Administrative Measures for Foreign Investment Access (Negative List) (2020 Edition) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (the "**Negative List (2020 Edition)**") was promulgated by the NDRC and the MOFCOM and came into force on 23 July 2020, whereby the Negative List (2019 Edition) was simultaneously repealed. On 27 December 2020, the Catalogue of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》) was promulgated by the NDRC and the MOFCOM and came into force on 27 January 2021, whereby the Catalogue of Industries for Encouraging Foreign Investment (2019 Version) was simultaneously repealed. On 27 December 2021, the Special Administrative Measures for Foreign Investment Access (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**Negative list (2021 Edition)**") was promulgated by the NDRC and the MOFCOM and came into force on 1 January 2022, whereby the Negative List (2020 Edition) was simultaneously repealed. On 26 October 2022, the Catalogue of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) was promulgated by the NDRC and the MOFCOM and came into force on 1 January 2023, whereby

the Catalogue of Industries for Encouraging Foreign Investment (2020 Version) was simultaneously repealed. On 6 September 2024, the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List (2024 Edition)**") was promulgated by the NDRC and the MOFCOM and will come into force on 1 November 2024, whereby the Negative List (2021 Edition) will be simultaneously repealed.

The Negative List (2021 Edition) sets out the special administrative measures for access of foreign investment such as the requirements in relation to shareholding and senior management. Fields that were not included in the Negative List (2021 Edition) shall be regulated according to the principle of equal treatment of domestic and foreign investments. Marketing, selling and distributing nutritional products do not fall into the Negative List (2021 Edition) and the coming Negative List (2024 Edition).

REGULATIONS ON FOREIGN EXCHANGE CONTROL

In accordance with the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on 29 January 1996, amended on 14 January 1997 and 1 August 2008, and became effective on 5 August 2008, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items, such as direct investment or engaging in the issuance or trading of negotiable securities or derivatives unless the prior approval by the SAFE or other relevant authorities for the administration of foreign exchange is obtained.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas 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》, the "**SAFE Circular No. 37**"), which was promulgated by SAFE and became effective on 4 July 2014, (1) a resident of the PRC ("**PRC Resident**") shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("**Overseas SPV**"), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

The 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**") was promulgated on 13 February 2015, implemented and became effective on 1 June 2015. According to Circular 13, foreign exchange registration under domestic direct investment and foreign exchange registration approval under overseas direct investment can be conducted with a qualified bank, instead of the local foreign exchange administrative bureau, and the SAFE shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

The Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》, the "**Circular 19**") was promulgated on 30 March 2015 and came into effect from 1 June 2015. According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement (the "**Discretional Foreign Exchange Settlement**"). The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or for which the monetary contribution has been registered for account entry by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The RMB converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in RMB obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (2) directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations; (3) directly or indirectly used for granting the entrust loans in RMB (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in RMB that have been sub-lent to the third party; and (4) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》, the "**Circular 16**") was published on 9 June 2016 and became effective simultaneously. Pursuant to Circular 16, enterprises registered in the PRC may convert their foreign debts from foreign currency to RMB on self-discretionary basis. Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted RMB shall not be provided as loans to its non-affiliated entities unless such granting is expressly permitted in the business scope. If the content of Circular 19 is not consistent with the Circular 16, the Circular 16 shall prevail.

On 23 October 2019, the SAFE issued the Circular of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment (《國家外匯局關於進一步促進跨境貿易投資便利化的通知》, the "**Circular 28**"), which, among other things, expanded the use of foreign exchange capital to domestic equity investment area. On the basis that investment foreign-funded enterprises (including foreign investment companies, foreign-funded venture capital enterprises and foreign-funded equity investment enterprises) may make domestic equity investments by using capital according to laws and regulations, non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments by using their capital on the premise of no violation of prevailing special administrative measures for access of foreign investments (negative list) and the authenticity and compliance with the regulations of domestic investment projects. Where any previous provisions run counter to the Circular 28, the Circular 28 shall prevail.

REGULATIONS ON E-COMMERCE

According to the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), which was promulgated by the SCNPC on 31 August 2018 and came into effect on 1 January 2019, E-Commerce refers to business activities of sale of goods or provision of services through Internet and other information network while E-commerce business operators refer to natural persons, legal persons and other non-legal-person organisations that engage in business activities of sale of goods or provision of services through Internet and other information network. E-commerce operators shall complete the market entity registration (unless no such registration is required by laws and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which are required by law to obtain administrative licenses.

Commodities sold or services offered by e-commerce operators shall meet the requirements to protect personal and property safety and the environmental protection requirements, and e-commerce operators shall not sell or provide any commodity or service prohibited by laws and administrative regulations. E-commerce platform operators who know or should have known that the goods sold or services provided by the operators within the platform do not meet the requirements for ensuring personal and property safety, or if there are other acts that infringe upon the legitimate rights and interests of consumers, and have not taken necessary measures, shall bear joint and several liabilities with those operators. The authorities may order these e-commerce platform operators to rectify within a specified period or to suspend business operations, and may impose a fine of up to RMB2,000,000.

E-commerce operators shall (including without limitation): (i) continuously display its business license information and administrative license, or relevant information which indicates that it does not need to complete the market entity registration in a prominent position on its homepage; (ii) disclose information about commodities or services in a comprehensive, truthful, accurate and timely manner so as to safeguard the consumers' right to know and right of choice; (iii) deliver commodities or services according to its commitment or the ways and time limits as agreed upon with consumers, and bear the risks and responsibilities when commodities are in transit; and (iv) bring the tie-in sales of commodities or services to consumers' attention in significant manner and shall not set tie-in commodities or services as default options. Where an e-commerce operator ceases to engage in e-commerce business, it shall continuously announce

relevant information in a prominent position on its homepage 30 days in advance. When e-commerce operators do not publicly display their business license information, administrative permit information, or information indicating that they are exempt from market entity registration in a prominent location on their homepage, or who do not continuously display links to the aforementioned information or information regarding the termination of e-commerce operations in a prominent location on their homepage, the e-commerce platform operators shall be ordered by the relevant supervisory authorities to make corrections within a specified period. If the corrections are not made within the deadline, the e-commerce platform operators will be subject to a fine ranging from RMB20,000 to RMB100,000. In cases of serious violations, the operators will be ordered to suspend business for rectification and will be subject to a fine ranging from RMB100,000 to RMB500,000.

REGULATIONS ON IMPORT OF GOODS

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016, 4 November 2017 and 29 April 2021, unless otherwise stipulated, the declaration of imported goods may be made by the consignors and consignees themselves, and such formalities may also be completed by their entrusted customs brokers. The consignees for import of goods and the customs brokers engaged in customs declaration shall undergo recordation formalities at the relevant administration department of customs in accordance with the laws. Where Customs declaration business is engaged in without being filed with the Customs, the Customs shall impose a fine against the party concerned.

Pursuant to the Administrative Provisions of the Customs of the PRC on the Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), promulgated by the General Administration of Customs on 19 November 2021 and became effective from 1 January 2022, customs declaration entities refer to the consignors and consignees of imported goods and customs declaration enterprises recorded with the customs. If the consignors and consignees of imported goods and customs declaration enterprises apply for record-filing, they shall obtain the qualification of market entities; among them, if the consignors and consignees of imported goods apply for record-filing, they shall also obtain the record-filing of the foreign trade operators. The record-filing of the customs declaration entities is valid for a long period of time, while the temporary record-filing is valid for one year, after which re-application of record-filing can be made. Where there is a change to the basic information of the customs declaration entity, and the customs declaration entity fails to go through the formalities for change with the Customs in accordance with the relevant provisions, the Customs shall order it to make corrections, and if it refuses to do so, the Customs may impose a fine of not more than RMB10,000 on it.

According to the Law on Import and Export Commodity Inspection of the PRC (《中華人民共和國進出口商品檢驗法》) promulgated by the SCNPC on 21 February 1989 and amended on 28 April 2002, 29 June 2013, 27 April 2018, 29 December 2018 and 29 April 2021 and its implementation ordinance, consignors and consignees of imported goods may complete the application formalities of customs inspection by themselves or authorise an agent to complete this procedure. The government maintains a documentary record and registration system for application formalities of customs inspection completed by the recipient of imported goods by

themselves. The consignees of imported goods completing quarantine formalities must submit documentary records to the relevant entry quarantine inspection body in accordance with the laws. Where import commodities that must be inspected by commodity inspection agencies are sold or used without having been inspected, any illegal gains shall be confiscated by the relevant commodity inspection agency, and a fine of between five and twenty percent of the value of such commodities will be imposed. Where such a violation constitutes a crime, prosecution for criminal liability shall be carried out in accordance with the law.

REGULATIONS ON MANUFACTURING AND SALES OF FOODS

Food Safety Law

Pursuant to the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》, the "**Food Safety Law**") promulgated by the SCNPC on 28 February 2009 and revised on 24 April 2015, 29 December 2018 and 29 April 2021, and the Regulation on the Implementation of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) promulgated by the State Council on 20 July 2009 and amended on 6 February 2016, 11 October 2019 and came into effect on 1 December 2019, the State adopts a licensing system for food production and trade, and an enterprise engaging in production, sale of food or catering services shall legally obtain the licence. However, for those who engage in the sales of edible agricultural products or only sell pre-packaged food products, obtaining a license is not required. Food operators that only sell pre-packaged food shall report to the food safety regulatory department of the local people's government at or above the county level for the recordation. In accordance with the Administrative Measures for Food Operation Licensing and Filing (《食品經營許可和備案管理辦法》), where any record-filing party fails to submit the record-filing information as required or fails to update the record-filing information in case of any change thereto, the local market regulatory authority at or above the county level shall order it to make corrections within a specified time limit; if it fails to do so, a fine of not less than RMB2,000 but not more than RMB10,000 shall be imposed thereon.

Under the food recall system established by the State pursuant to the Food Safety Law and its implementation rules, where a food producer or trader finds that the foods it has produced or sold does not comply with relevant food safety standards, or if there is any evidence proving that the foods produced or sold may harm human health, the food producer or trader shall immediately cease the production or trading thereof, and notify the relevant producers, traders and consumers, and keep records of the recall and notification status. Food manufacturers and business operators who refuse to recall foodstuffs or cease operation after being ordered by the food safety supervision and administration department to do so, and when it does not constitute a crime, the authority shall confiscate the illegal income and foodstuffs from the illegal manufacturing or business activities, and may at the same time confiscate the tools, equipment, ingredients used in the illegal manufacturing or business activities; where the value of the foodstuffs from the illegal manufacturing or business activities is less than RMB10,000, a fine ranging from RMB50,000 to RMB100,000 shall be imposed at the same time; where the value of the foodstuffs is RMB10,000 or more, a fine ranging from ten to twenty times the value of the foodstuffs or food additives shall be imposed at the same time; in serious cases, the permit shall be revoked.

Health supplement products

Pursuant to the Food Safety Law, the State implements strict supervision and administration over health supplement products. The alleged health supplement products shall have scientific basis and shall not cause acute, sub-acute or chronic harm to human health. The List of Raw Materials for Health Supplement Products (《保健食品原料目錄》) and the Health Function Directory Alleged by Health Supplement Products as Allowed (《允許保健食品聲稱的保健功能目錄》) promulgated on 27 December 2016, shall be formulated, adjusted and published by the market regulation administration under the State Council, in concert with the health administrative department under the State Council and the State administrative department of traditional Chinese medicine. The raw materials included in the List of Raw Materials for Health Supplement Products can only be used in the production of health supplement products other than other food products. On 2 August 2019, the Administrative Measures for the List of Raw Materials and the List of Healthcare Functions for Health Supplement Products (《保健食品原料目錄與保健功能目錄管理辦法》)was promulgated by the State Administration for Market Regulation and came into force on 1 October 2019, pursuant to which the State Administration for Market Regulation in conjunction with the National Health Commission of the People's Republic of China* (中華人民共和國國家衛生健康委員會) and the National Administration of Traditional Chinese Medicine(國家中醫藥管理局) shall formulate, adjust and release the List of Raw Materials for Health Supplement Products and the Health Function Directory Alleged by Health Supplement Products as Allowed. The formulation, adjustment and release of the List of Raw Materials for Health Supplement Products and the Health Function Directory Alleged by Health Supplement Products as Allowed shall serve the tenet of safeguarding food safety and promoting public health, and follow the principles of legality, scientificity, openness and impartiality.

Pursuant to the Administrative Measures for the Registration and Record-filings of Health Supplement Products (《保健食品註冊與備案管理辦法》) which was promulgated by the CFDA on 26 February 2016, amended by the SAMR on 23 October 2020 and came into effect on the same date, the health supplement products that are made from the raw materials outside the List of Raw Materials for Health Supplement Products, or that are imported for the first time (apart from nutrients such as supplement vitamins and minerals) shall be registered with the market regulation administration under the State Council. However, where the health supplement products that are made from the raw materials on the List of Raw Materials for Health Supplement Products, or that are imported for the first time being categorised as nutrients such as supplement vitamins and minerals, such health supplement products shall be submitted to the market regulation administration under the State Council for record-filing. Other health supplement products shall be submitted to the market regulation administration of the people's governments at provincial level for record-filing. Registration and filing of health supplement products violations governed by the Food Safety Law and other laws and regulations shall be subject to such laws and regulations.

On 14 June 2023, the List of Raw Materials for Health Supplement Products — Nutrient Supplements (2023 Edition) (《保健食品原料目錄營養素補充劑(2023年版)》) and the Health Function Directory Alleged by Health Supplement Products as Allowed — Nutrient Supplements (2023 Edition) (《允許保健食品聲稱的保健功能目錄營養素補充劑(2023年版)》) were released by the SAMR and came into effect on 1 October 2023, which adds the raw material — docosahexaenoic acid (DHA), and its daily dosage, efficacy and technical requirements for the ingredient.

Pursuant to the Interpretation of the Issues Concerning the Supervision and Administration of the Use of Ordinary Food Raw Materials Included in the List of Raw Materials for Health Supplement Products (《普通食品原料納入保健原料目錄的使用監管問題的解讀》) promulgated by the SAMR on 1 March 2021, there is a one-to-one correspondence relationship between the raw materials, dosage and efficacy in the List of Raw Materials for Health Supplement Products. Although certain raw materials for ordinary food are on the List of Raw Materials for Health Supplement Products, the List of Raw Materials for Health Supplement Products stipulates, apart from the name of the raw materials, the dosage and corresponding efficacy of the raw materials. Therefore only products being made from raw materials on the List of Raw Materials for Health Supplement Products and satisfying the stipulations of dosage and efficacy are considered as health supplement products.

As such, as confirmed by our PRC Legal Advisers, if we do not claim or imply any healthcare function in the labels or promotional materials of our nutritional products, and our nutritional products do not simultaneously satisfy the stipulations of the raw materials, dosage and efficacy of the List of Raw Materials for Health Supplement Products, our nutritional products shall not be subject to registration or record-filing after the implementation of the List of Raw Materials for Health Supplement Products — Nutrient Supplements (2023 Edition) and the Health Function Directory Alleged by Health Supplement Products as Allowed — Nutrient Supplements (2023 Edition).

Import of Foods

According to the Food Safety Law, imported foods shall conform to the national food safety standards of the PRC in accordance with relevant laws and regulations. Imported foods shall pass the inspection conducted by the entry-exit export inspection and quarantine institutions in accordance with relevant provisions of the laws and administrative regulations. The imported food shall be accompanied by qualified certification materials in accordance with the requirements of the entry-exit export inspection and quarantine institutions. According to the Law on Import and Export Commodity Inspection of the PRC, where import commodities that must be inspected by commodity inspection agencies are sold or used without having been inspected, any illegal gains shall be confiscated by the relevant commodity inspection agency, and a fine of between five and twenty percent of the value of such commodities will be imposed. Where such a violation constitutes a crime, prosecution for criminal liability shall be carried out in accordance with the law.

Imported packaged food and food additives shall have labels in Chinese; if they shall have instruments in accordance with the law, they also shall have descriptions in Chinese. Food manufacturers and food business operators of foodstuffs with labels and instructions that do not comply with the provisions of the Food Safety Law, shall have their illegal income or foodstuffs from the illegal manufacturing or business activities, tools, equipment, ingredients used in the illegal manufacturing and business activities confiscated by the authority. Where the value of the foodstuffs from the illegal manufacturing or business activities is less than RMB10,000, a fine ranging from RMB5,000 to RMB50,000 shall be imposed. Where the value of the foodstuffs is RMB10,000 or more, a fine ranging from five to ten times the value of the foodstuffs or food additives shall be imposed.

LICENCE FOR FOOD PRODUCT

Pursuant to the Administrative Measures for Food Production Licensing (《食品生產許可管理辦法》) which was promulgated on 2 January 2020 by the SAMR and came into force on 1 March 2020, a food production licence shall be obtained in accordance with the laws to engage in food production activities within the territory of the PRC. Food producers who have engaged in the food production activities without the food production licensing shall be punished by the local market regulatory authority at or above the county level according to the Article 122 of the Food Safety Law.

For the production of health supplement products and infant formula foods, (i) applications for food production licences shall be filed according to the food categories of health supplement products and infant formula foods; (ii) the food production licence shall specify the product registration document number or the product record-filing registration number; (iii) for the production of health supplement products on an entrusted basis, the name, place of business and other related information of the enterprise which entrusts the production shall also be specified.

LICENCE AND FILING FOR FOOD TRADING

In accordance with the Administrative Measures for Food Operation Licensing and Filing (《食品經營許可和備案管理辦法》) which was promulgated by the SAMR on 15 June 2023 and came into force on 1 December 2023, a food operation licence shall be obtained to engage in food selling and dining services in the PRC. However, the license is not required for the sale of only packaged food is sold. In the event that only packaged food is sold, record-filing shall be completed at the food safety administrations of the people's governments at the county level at the places where the food seller is located. A food operator which has obtained a food operation license is not required to file for additional business of selling prepackaged food separately. The Administrative Measures for Food Operation Licensing and Filing shall apply to the application, acceptance, review, and decision-making in regard to food operation licensing, the filing for selling only prepackaged food (including health supplement products, food for special medical purposes, infant formula milk powder and other infant formula food, as well as other special food), and the relevant supervision and inspection. Where any record-filing party fails to submit the record-filing information as required or fails to update the record-filing

information in case of any change thereto, the local market regulatory authority at or above the county level shall order it to make corrections within a specified time limit; if it fails to do so, a fine of not less than RMB2,000 but not more than RMB10,000 shall be imposed thereon.

According to the Notice on the Filing of Food Trading (Sale of Prepackaged Food Only) in the City (《關於做好本市食品經營(僅銷售預包裝食品)備案工作的通知》) which was promulgated by the Shanghai Administration for Market Regulation and came into effective on 31 December 2021, since 1 January 2022, the citywide record-filing management of operators engaged in the sale of prepackaged food only (including special food such as health supplement products, food for special medical purposes, infant formula milk powder and other infant formula foods, etc.) will be implemented in Shanghai.

FOOD LABELLING

Pursuant to the Administrative Provisions on Food Labelling (《食品標識管理規定》), promulgated by the General Administration of Quality Supervision, Inspection and Quarantine ("**AQSIQ**") (revoked) on 27 August 2007 and latest amended on 22 October 2009, food or its packages shall be attached with labels, unless otherwise provided by applicable laws or administrative regulations.

A food label shall indicate the name, origin and date of production, expiry date, net quantity, list of ingredients of the product, name and addresses and contact information of producers, and relevant standard product codes implemented by the enterprise. For the foods subject to food production licence administration, food labels shall indicate the food production licence number and a QS (Quality Standard) logo. Where the label does not include the information that is required in the Administrative Provisions on Food Labelling, the authority shall order rectification within a specified period. Should the rectification not be made by the deadline, a fine of more than RMB500 but less than RMB10,000 shall be imposed.

Pursuant to the Food Safety Law, pre-packaged food shall be labeled. The label attached to pre-packaged food shall indicate the following matters: (1) name, specifications, net content and date of production; (2) list of ingredients or components; (3) name, address, and contact information of the producer; (4) shelf life; (5) product standard code; (6) storage conditions; (7) generic names of food additives used under the national standards; (8) food production licence number; (9) other items that must be indicated according to laws, regulations or food safety standards. Food manufacturers and food business operators of pre-packaged foodstuffs without labels, or foodstuffs with labels and instructions that do not comply with the provisions of this Law, shall have their illegal income or foodstuffs from the illegal manufacturing or business activities, tools, equipment, ingredients used in the illegal manufacturing and business activities confiscated by the authority. Where the value of the foodstuffs from the illegal manufacturing or business activities is less than RMB10,000, a fine ranging from RMB50,000 to RMB100,000 shall be imposed. Where the value of the foodstuffs is RMB10,000 or more, a fine ranging from five to ten times the value of the foodstuffs shall be imposed.

ONLINE FOOD SAFETY

According to the Administrative Measures for Online Trading (《網絡交易監督管理辦法》) which was promulgated by the SAMR on 15 March 2021 and became effective on 1 May 2021, online transaction operators shall disclose product or service information comprehensively, truthfully, accurately, and in a timely manner to protect consumers' right to know and to choose. Online trading operators who carry out online trading activities through online social networking, webcasting, and other online services shall display goods or services, their actual business entities, after-sales service, and other information in a conspicuous manner, or the link identification of the above-mentioned information. Where an online transaction operator violates Article 12 of the Administrative Measures for Online Trading by failing to perform its statutory information disclosure obligation, it shall be punished in accordance with Article 76 of the E-commerce Law of the PRC.

According to the Measures on the Punishments and Disciplinary Actions for Online Food Safety (《網絡食品安全違法行為查處辦法》) promulgated by the CFDA on 13 July 2016 and last amended on 2 April 2021 and with effect from 1 June 2021, the SAMR takes charge of the supervision and guidance of the investigation and punishment on illegal conducts concerning online food safety nationwide, and the local market regulatory authorities at and above the county level take charge of the investigation and punishment on illegal conducts concerning online food safety within their administrative regions.

REGISTRATIONS AND RECORD-FILINGS OF HEALTH SUPPLEMENT PRODUCTS

According to the Measures on the Administration of Health Supplement Products (《保健食品管理辦法》, the "**Health Supplement Products Law**"), which was promulgated by the MOH on 15 March 1996 and became effective as of 1 June 1996, the "health supplement" refers to the food with specific healthcare functions, that is, the food is suitable for specific groups due to its body regulating functions and not for the purpose to disease treatment. The health authorities under the State Council adopt approval system for health supplement products and the product manuals. The MOH shall issue the Certificate of Approval for Health Supplement Products (《保健食品批准證書》) with the approval number for qualified and approved health supplement products. Any production or operation conducted under the guise of health supplement products without the review and approval by the MOH in accordance with Health Supplement Products Law shall be penalized by the health administrative departments of the people's governments at or above the county level, in accordance with Article 45 of Food Hygiene Law.

According to the Circular of the CFDA on Issuing the General Rules on the Examination of Health Supplement Production Licensing (《國家食品藥品監督管理總局關於印發保健食品生產許可審查細則的通知》) which was promulgated on 28 November 2016 and became effective on 1 January 2017 by the CFDA, where the producing of health supplement products is entrusted to another party, (1) the entrusting party shall be the holder of the Certificate of Approval for Health Supplement Product; (2) the entrusted producer shall be able and capable to complete all production process of the entrusted production of health supplement products; and (3) the food label of such health supplement products shall indicate the name and addresses of both the entrusting party and the entrusted producer, and the number of the Certificate of Approval for Health Supplement Products.

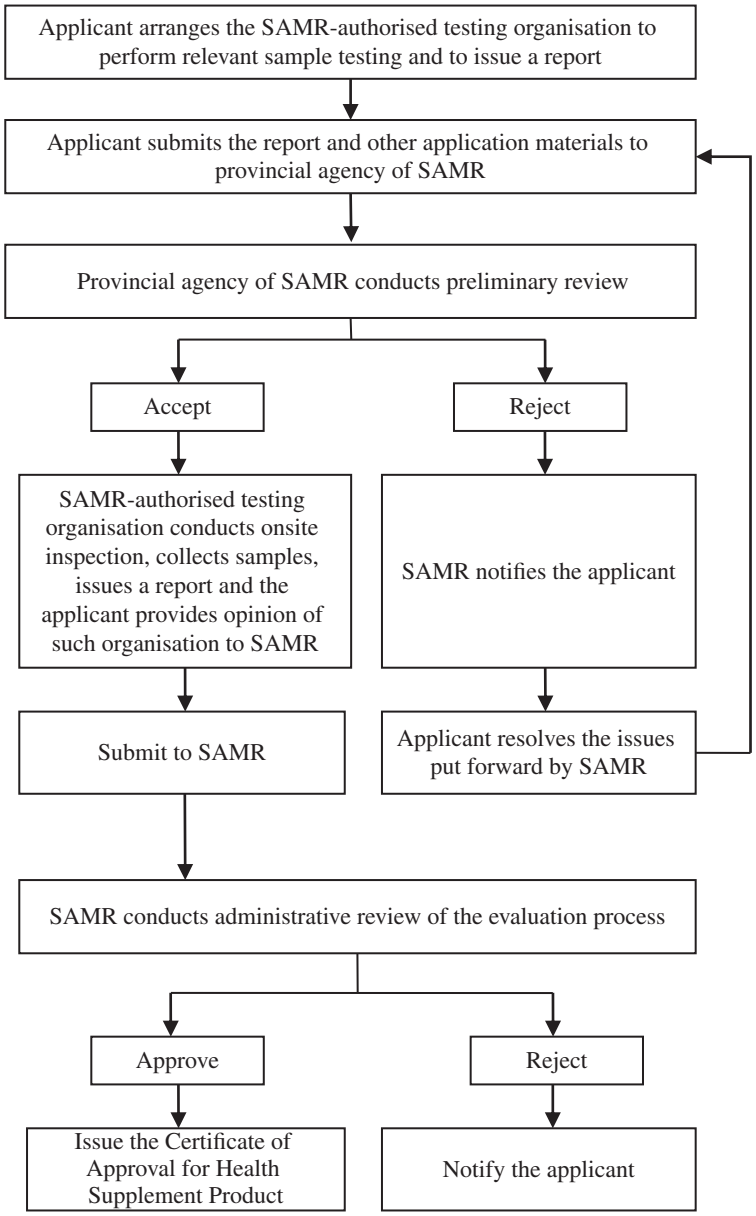
REGULATORY OVERVIEW

According to the Administrative Measures for the Registration and Record-filings of Health Supplement Products (《保健食品註冊與備案管理辦法》) promulgated by the CFDA on 26 February 2016, and amended by the SAMR on 23 October 2020 and effective from the same date, manufacturing or importation of the following health supplement products shall be subject to registration: (i) health supplement products being made from raw materials not included in the List of Raw Materials for Health Supplement Products, or (ii) health supplement products imported for the first time, excluding those that were categorised as supplement vitamins, minerals and other nutrients. The health functions of the products claimed shall have been included in the Health Function Directory Alleged by Health Supplement Products as Allowed. The validity period of a Health Supplement Products registration certificate shall be five years.

Manufacturing or importation of the following health supplement products shall be subject to record-filing with relevant governmental authority in accordance with the law: (i) health supplement products being made from raw materials that are included in the List of Raw Materials for Health Supplement Products; or (ii) health supplement products categorised as supplement vitamins, minerals and other nutrients imported for the first time. The formula, name and dosage of raw and auxiliary materials, functions and manufacturing process of a recorded product shall comply with applicable laws, regulations, rules, compulsory standards as well as the technical requirements specified in the List of Raw Materials for Health Supplement Products. Registration and filing of health supplement products violations governed by the Food Safety Law and other laws and regulations shall be subject to such laws and regulations.

REGULATORY OVERVIEW

The following chart illustrates the application procedures for approval and registration of health supplement products based on applicable PRC laws and regulations:



Advertisements for Health Supplement Products

According to Advertisement Law of the PRC (《中華人民共和國廣告法》) promulgated by the SCNPC on 27 October 1994 and subsequently amended on 24 April 2015, 26 October 2018 and 29 April 2021, advertisements shall not contain fake or misleading content, nor should they deceive or mislead consumers. Advertisers shall be liable for the authenticity of advertisement contents. Advertisers, advertising agents and advertisement publishers shall abide by laws and regulations and the principles of good faith and fair competition in carrying out advertising activities. With regard to any false advertisement published in violation of the provisions hereof, the administration for market regulation shall order the cessation of the publishing of the advertisement, order the advertiser to eliminate the effects within the corresponding scope, and impose a fine of not less than three times and not more than five times the advertising fees, and where the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB200,000 and not more than RMB1,000,000 shall be imposed; where the illegal activities have been committed more than three times within two years or there are other serious circumstances, a fine of not less than five times and not more than ten times the advertising fees shall be imposed, and where the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB1,000,000 and not more than RMB2,000,000 shall be imposed; the business licenses may be revoked, and the advertisement review authorities shall revoke the approval documents for advertisement review and shall not accept the relevant party's application for advertisement review for one year. If the advertiser's aforementioned actions constitute a crime, criminal liability will be pursued in accordance with the law.

Where an advertisement makes indications regarding the properties, functions, places of origin, purposes, quality, ingredients, price, manufacturer, validity period or promises in respect of goods or the contents, providers, forms, quality, price or promises in respect of services offered, such indications shall be accurate and clear. Whereas a gift is attached to certain goods or services supplied, the advertisement concerned should clearly define the kind, specification, quantity, period and mode of the attached gift or service. Contents that shall be explicitly indicated in advertisements as stipulated in laws and administrative regulations shall be expressed in an obvious and clear manner. Otherwise, the market supervision and management department shall order the cessation of the advertisement's dissemination and impose a fine of no more than RMB100,000 on the advertiser.

Advertisements for health supplement products shall be reviewed by the relevant authorities before publishing, and no such advertisement shall be published without being reviewed. For the publication of advertisements without prior review, the market supervision and management department shall order the cessation of the advertisement's dissemination and instruct the advertiser to eliminate the impact within the corresponding scope. A fine between one and three times the cost of the advertisement will be imposed. If the advertising cost cannot be calculated or is significantly low, a fine between RMB100,000 and RMB200,000 will be imposed. In severe cases, a fine between three and five times the cost of the advertisement will be imposed. If the advertising cost cannot be calculated or is significantly low, a fine between RMB200,000 and RMB1,000,000 will be imposed. The business license may be revoked, and the advertising review authority may rescind the approval documents for the advertisement and may not accept any advertising review applications from the advertiser for a period of one year.

Advertisements for health supplement products shall be indicated with the words that "this product cannot substitute medicines" conspicuously.

Advertisements for health supplement products shall not contain any of the following items:

(a) any assertion or guarantee for efficacy and safety;

(b) any involvement of functions of disease prevention or treatment;

(c) any claim or hint that the product advertised is necessary to safeguard health;

(d) comparison with pharmaceuticals or other health supplement products;

(e) use of the advertisement endorsers to make any endorsements; or

(f) other items as prohibited by laws and regulations.

Pursuant to the Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Health Supplement Products and Formula Foods for Special Medical Purpose (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》), which was promulgated by the SAMR on 24 December 2019 and became effective on 1 March 2020, the SAMR is responsible for organising and guiding the censorship of advertisements for the health supplement products and no advertisements for the health supplement products may be published without censorship. If advertisements for health supplement product give publicity only to the product name, the contents thereof shall not be subject to censorship.

The contents of the health supplement product advertisements shall be subject to those of the registration certificate or record-filing certificate approved by, or the product instructions registered by or filed with the competent department for market regulation, and shall not involve disease prevention or treatment functions. If the health supplement product advertisements involve healthcare functions, functional or major ingredients and their contents, applicable groups of people, dosage, and other contents, it shall not go beyond the scope of the registration certificate or record-filing certificate, or the registered or filed product instructions.

Advertisements for health supplement product shall prominently indicate the words "HEALTH SUPPLEMENT PRODUCT IS NOT DRUG AND CANNOT TREAT DISEASE IN REPLACEMENT OF DRUG" ("保健食品不是藥物，不能代替藥物治療疾病"), stating that the product cannot replace any drug, and shall prominently mark the logo of health supplement product, the applicable groups of people and inapplicable ones.

Health supplement product advertisements that violate Article 18 of Advertisement Law of the PRC, or do not prominently state that this product is not a substitute for medicine, will be penalized under the Advertisement Law. The administration for market regulation shall order the offender to cease the publication of the advertisement and to eliminate its impact within the corresponding scope. A fine will be imposed, ranging from one to three times the amount of the advertising fee. However, if it is impossible to compute the advertising fee or the fee is evidently

low, a fine ranging from RMB100,000 to RMB200,000 shall be imposed. In serious cases, the fine may range from three to five times the advertising fee. If the advertising fee cannot be computed or is evidently low, the fine shall range from RMB200,000 to RMB1,000,000. Additionally, the business license may be revoked, and the advertisement review authorities may also rescind the approval document for the advertisement review and refuse to accept future applications for advertisement review from the offender for a period of one year.

Pursuant to The Administrative Measures on Credibility of Enterprises Publishing Advertisements of Pharmaceutical Products, Medical Apparatus and Health Supplement Products (《藥品、醫療器械、保健食品廣告發布企業信用管理辦法》) which was promulgated by the CFDA on 16 October 2007 and became effective on 1 January 2008, an enterprise engaging in publishing advertisement of health supplement products will be rated as "trustworthy", "untrustworthy" or "seriously untrustworthy" upon annual review by competent authority. An enterprise shall be rated as "trustworthy" if none of its advertisements in a given year has violated any relevant laws and regulations by the supervision of the CFDA. An enterprise shall be rated as "untrustworthy" if its advertisements in a given year have been in non-material violations of such laws and regulations. An enterprise shall be rated as "seriously untrustworthy" if its advertisements in a given year have been in material violations of such laws and regulations such as false statement of suitability, assertions or assurance of any health benefit. The enterprise rated as "untrustworthy" or "seriously untrustworthy" shall be ordered by the competent authority to effect rectification within a time limit and such violation shall be recorded into the credit files, and failing to make rectification within the specified time limit will subject the enterprise to publishing of its trustworthiness rating and focused inspection by the competent authority in the future.

Regulations on New Food Raw Materials

Pursuant to the Administrative Measures for the Review of the Safety of New Food Raw Materials (《新食品原料安全性審查管理辦法》) promulgated by the National Health and Family Planning Commission (the "**NHFPC**", which had been dissolved and relevant functions and powers are changed to SAMR) on 31 May 2013, revised on 26 December 2017 and effective from the same date, new food raw materials refer to the following materials that are not traditional eating habits in the PRC: (1) animals, plants and microorganisms; (2) components separated from animals, plants and microorganisms; (3) food ingredients whose original structures change; and (4) other newly developed food raw materials. New food raw materials shall have the characteristics of food raw materials, conform to proper nutrition requirements, be avirulent and harmless, and cause no acute, subacute, chronic or other potential hazards to human health. Anyone who manufactures or uses new food raw materials that have not undergone the safety assessment shall be subject to confiscation, fines or revocation of licenses by relevant administrative authorities in accordance with the Food Safety Law.

Regulations on Imported Food

The Measures for the Supervision and Administration of Inspection and Quarantine of Imported and Exported Dairy Products (《進出口乳品檢驗檢疫監督管理辦法》) was promulgated by the AQSIQ (which has been dissolved and relevant functions and powers are changed to General Administration of Customs) on 24 January 2013, took effect on 1 May 2013 and was amended by the General Administration of Customs on 23 November 2018.

On 12 April 2021, the Administrative Measures of the People's Republic of China for the Safety of Imported and Exported Food Products (《中華人民共和國進出口食品安全管理辦法》, the "**Safety Administrative Measures**") was promulgated by the General Administration of Customs and came into force on 1 January 2022, pursuant to which the Supervision and Administration of Inspection and Quarantine of Imported and Exported Dairy Products (《進出口乳品檢驗檢疫監督管理辦法》) was simultaneously repealed. Pursuant to the Safety Administrative Measures, importers of imported food products shall file a record with the Customs at the place of its domicile. Food importers who have undergone a change in their record-filing information and have not followed the regulations to process the change with customs, may, in serious cases, receive a warning from the Customs authorities. Food importers who provide false record-filing information during the record-filing process may be fined up to RMB10,000 by the Customs authorities.

Imported food products shall comply with Chinese laws and regulations, and meet the national standards for food safety. Whoever imports any food products for which there are not yet national standards regarding the safety thereof shall meet the requirements of the relevant standards published by the health administration under the State Council for interim application. Pursuant to the Food Safety Law, apart from the circumstances stipulated in Article 123, first paragraph of Article 124, and Article 125 of the Food Safety Law, those who manufacture and operate food or additives that do not comply with laws, regulations, or food safety standards, and whose actions do not constitute a crime, shall have their illegal gains and the food, food additives produced or operated illegally confiscated by the food safety supervision and management department of the people's government at or above the county level. Additionally, tools, equipment, raw materials, and other items used for illegal production and operation may also be confiscated. If the value of the food, food additives produced or operated illegally is less than RMB10,000, a fine ranging from RMB50,000 to RMB100,000 will be imposed. If the value exceeds RMB10,000, a fine ranging from ten to twenty times the value of the goods will be imposed. In severe cases, the license may be revoked.

The Chinese labels of imported health supplement products and food products for special dietary use must be printed on rather than attached to the minimum packaging unit for the sales of the food products. Where Customs authorities finds during its supervision over import pre-packaged food that no labels in Chinese are affixed on such food or the labels in Chinese fail to comply with the laws, regulations and the national standards for food safety, or the food importer refuses to destroy, return or conduct technical treatment as required by Customs authorities, Customs authorities will give a warning or impose a fine of no more than RMB10,000 on the food importer.

The Regulations on Administration of Registration of Overseas Producers of Imported Food (《進口食品境外生產企業註冊管理規定》) was promulgated by the AQSIQ (revoked) on 1 May 2012 and amended by the General Administration of Customs on 23 November 2018. On 12 April 2021, the Administrative Provisions of the People's Republic of China on Registration of Overseas Manufacturers of Imported Food (《中華人民共和國進口食品境外生產企業註冊管理規定》) was promulgated by the General Administration of Customs and came into effect on 1 January 2022, pursuant to which the Regulations on Administration of Registration of Overseas Producers of Imported Food (《進口食品境外生產企業註冊管理規定》) shall be simultaneously repealed. Pursuant to the Administrative Provisions of the People's Republic of China on Registration of Overseas Manufacturers of Imported Food, the overseas manufacturers of imported food shall obtain registration from the General Administration of Customs, and the valid term for the registration of an overseas manufacturer of imported food shall be five years.

REGULATIONS ON PRODUCT QUALITY AND CONSUMER PROTECTION

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》, the "**Product Quality Law**") promulgated by the SCNPC on 22 February 1993 with effect from 1 September 1993 and subsequently amended on 8 July 2000, 27 August 2009 and 29 December 2018, the manufacturers shall be held responsible for the quality of their products and the sellers shall take measures to maintain the quality of the products they sell. Any manufacturer or seller who violates the Product Quality Law may be subject to (i) administrative penalties including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business licence, and (ii) criminal liabilities if the illegal activity constitutes crime.

In accordance with the Law of the PRC on the Protection of Consumers' Rights and Interests (《中華人民共和國消費者權益保護法》, the "**Consumers Protection Law**") promulgated by the SCNPC on 31 October 1993 with effect from 1 January 1994 and subsequently amended on 27 August 2009 and 25 October 2013, business operators providing commodities or services for consumers shall follow the principles of voluntariness, equality, fairness, honesty and good faith, and safeguard the consumers' lawful rights and interests. Business operators are required to ensure that the products supplied meet the requirements for safeguarding personal or property safety, and failing to do so may be subject to various penalties, including but not limited to warnings, confiscation of illegal earnings, imposition of fines, suspension of business for rectification, revocation of business licences, and/or even criminal liabilities.

According to the Part VII tort liability of the Civil Code of the PRC (《中華人民共和國民法典》) which was promulgated by the National People's Congress on 28 May 2020 and became effective on 1 January 2021, in the event of an injury caused by a defective product, either the manufacturer or seller of such product, as a tortfeasor, may be subject to tortious liability and relevant remedies seeking by the consumers. If the product defect is caused by the manufacturer, the manufacturer shall be held responsible and the seller, if having made the compensation, shall be entitled to seek reimbursement from the manufacturer. If, on the other hand, the defects of the products are caused by the fault of the seller, the seller shall be held responsible and the manufacturer, if having made the compensation, shall be entitled to seek reimbursement from the seller.

REGULATIONS ON CROSS-BORDER E-COMMERCE

Pursuant to the Administrative Provisions on the Filing of Cross-Border E-Commerce Entities and Commodities (《跨境電子商務經營主體和商品備案管理工作規範》) promulgated by the AQSIQ (revoked) on 24 November 2015 with effect from 1 January 2016, cross-border e-commerce entities shall file information with the inspection and quarantine institution through the information platform built and maintained by the AQSIQ.

The AQSIQ promulgated the Opinions on Further Maximizing Functions of Inspections and Quarantine to Promote the Development of Cross-Border E-Commerce (《關於進一步發揮檢驗檢疫職能作用促進跨境電子商務發展的意見》, the "**Opinions**") with immediate effect from 14 May 2015. Pursuant to the Opinions, the following commodities are prohibited from entering the PRC in the form of cross-border e-commerce: (i) Articles prohibited from entry by the Law of the PRC on the Entry and Exit Animal and Plant Quarantine (《中華人民共和國進出境動植物檢疫法》); (ii) Food derived from animals and plants without inspection and quarantine access; (iii) Articles included in the Catalog of Hazardous Chemicals (「《危險化學品名錄》」), the Catalog of Highly Toxic Chemicals (「《劇毒化學品目錄》」), the Catalog of Classification and Varieties of Precursor Chemicals (「《易制毒化學品的分類和品種名錄》」) and the Catalog of Toxic Chemicals Strictly Restricted by China from Import and Export (「《中國嚴格限制進出口的有毒化學品目錄》」); (iv) Microorganisms other than biological products, human tissues, biological products, blood and blood products and other special articles; (v) Nuclear, biological and chemical products involving terrorism and radioactivity that may endanger public safety; (vi) Waste materials; (vii) The e-commerce goods that enter China by international express or mail shall also meet the requirements of the Catalog of Animals and Plants and Their Products Prohibited from Being Carried or Mailed into the PRC (「《中華人民共和國禁止攜帶、郵寄進境的動植物及其產品名錄》」); and (viii) Other products prohibited from entering China by laws and regulations and the products prohibited from entering by announcements of the AQSIQ.

Furthermore, to regulate cross-border e-commerce trading and introduce the concept of cross-border e-commerce good, the List of Cross-border E-commerce Retail Imports (《跨境電子商務零售進口商品清單》) was issued and updated by the MOF, the NDRC, Ministry of Industry and Information Technology and other relevant authorities from time to time, and was latest updated on 28 January 2022 with effect from 1 March 2022.

According to the Circular on Improving the Regulation for Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口監管有關工作的通知》) promulgated by the MOFCOM, the NDRC, the MOF, General Administration of Customs, State Taxation Administration, and the SAMR on 28 November 2018 with effect from 1 January 2019, cross-border e-commerce retail imports are defined as the consumer behavior of domestic consumers in the PRC who purchase products from offshore through a cross-border e-commerce third-party platform operator and deliver the products into the PRC by way of "online shopping tax free imports" or "direct purchase imports". Cross-border e-commerce retail importation shall mainly include the following participating entities: (i) cross-border e-commerce retail importers (hereinafter referred to as the "**cross-border e-commerce enterprises**") refer to overseas registered enterprises who sell cross-border e-commerce retail imports from overseas to consumers in China should be deemed as the owner of the goods; (ii) cross-border e-commerce third party platform operators (hereinafter referred to as the

"**cross-border e-commerce platform**") refer to the business operators who have completed industry and commerce registration in China, provide services to both transaction parties (consumers and cross-border e-commerce enterprises) such as website space, virtual business premises, transaction rules, transaction matching, information dissemination services etc., and establish the information network system for the transaction parties to conduct transaction activities independently; (iii) service providers in China refer to the entities which have completed industry and commerce registration in China, accept entrustment by a cross-border e-commerce enterprise to provide declaration, payment, logistics, warehousing services etc., possess the corresponding operational qualification, provide the relevant payment, logistics and warehousing information directly to the Customs, are subject to follow-up supervision by the Customs and market regulatory authorities, and bear the corresponding liability; (iv) consumers refer to buyers in China who purchase cross-border e-commerce retail imports.

Pursuant to the Announcement on Regulatory Matters Relating to Cross-border E-commerce Retail Imports and Exports (《關於跨境電子商務零售進出口商品有關監管事宜的公告》) promulgated by the General Administration of Customs on 10 December 2018 with effect from 1 January 2019 and the Circular on Improving the Regulation for Cross-border E-commerce Retail Imports, the cross-border E-commerce retail imports shall be regulated as goods imported for personal use, which shall not be subject to the license approval, registration or filing requirements for the first-time importation of the goods if the goods are listed in the Cross-Border E-commerce List. In addition, the Announcement on Regulatory Matters Relating to Cross-border E-commerce Retail Imports and Exports clarifies that overseas cross-border e-commerce enterprises shall entrust a domestic agent who should complete registration formalities with the local customs. Cross-border e-commerce platform enterprises carrying out cross-border e-commerce retail importation business and domestic agents of cross-border e-commerce enterprises shall verify the veracity of the transaction and the identity information of the consumer (purchaser), and bear the corresponding liability. Where the identity information has not been authenticated by the State authorities in charge or the agency authorised thereby, the purchaser and the payor shall be the same person.

REGULATIONS ON TAXATION OF CROSS-BORDER RETAIL E-COMMERCE

The MOF, General Administration of Customs, and State Taxation Administration jointly promulgated the Notice on the Import Tax and Customs Duty Policy of Cross-border Retail E-Commerce (《關於跨境電子商務零售進口税收政策的通知》, the "**Notice**") on 24 March 2016 with effect from 8 April 2016 and the Notice on Improving the Import Tax Policy of Cross-border Retail E-commerce (《關於完善跨境電子商務零售進口税收政策的通知》, the "**Improving Notice**") on 29 November 2018 with effect from 1 January 2019. Pursuant to the Notice and the Improving Notice, duty, import value-added tax ("**VAT**") and consumption tax shall be levied on the retail goods imported through cross-border e-commerce. Individuals purchasing any retail goods imported through cross-border e-commerce shall be taxpayers, and e-commerce enterprises, e-commerce transaction platform enterprises and logistics enterprises

shall be the withholding agents. As for retail goods imported through cross-border e-commerce, a maximum of RMB5,000 per single transaction and a maximum of RMB26,000 per person per year will be allowed. For any imported goods whose transaction amount is within the thresholds, the tariffs shall be fixed at 0% temporarily; import VAT and consumption tax on such retail goods will no longer be exempted, and shall be temporarily levied at 70% of the statutory tax payable.

REGULATIONS ON ANTI-UNFAIR COMPETITION LAW

Anti-Unfair Competition Law

Competitions among the operators are generally governed by the Law of the PRC for Anti-Unfair Competition (《中華人民共和國反不正當競爭法》, the "**Anti-Unfair Competition Law**"), which was promulgated by the SCNPC on September 2, 1993, took effect from December 1, 1993 and was amended on November 4, 2017 and April 23, 2019. According to the Anti-Unfair Competition Law, when trading in the market, operators should abide by the principles of voluntariness, equality, fairness and credibility, and abide by laws and recognized business ethics. Operating in violation of the Anti-Unfair Competition Law, disrupting the competition order, and infringing the legitimate rights and interests of other operators or consumers, constitute unfair competition. When the legitimate rights and interests of an operator are damaged by unfair competition, it may start a lawsuit in the people's court. In contrast, if an operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition and causes damage to another operator, it shall be liable for damages. If the damage suffered by the injured operator is difficult to assess, the amount of damages shall be the profit obtained by the infringer through the infringement. The infringer shall also bear all reasonable expenses paid by the infringed operator to stop the infringement.

REGULATIONS ON INTELLECTUAL PROPERTIES

Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on 23 August 1982 and revised on 22 February 1993, 27 October 2001, 30 August 2013, 23 April 2019 and with effect from 1 November 2019 and the Regulation on the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was promulgated on 3 August 2002 and amended on 29 April 2014 and became effective on 1 May 2014. Trademarks are registered with the Trademark Office of the State Administration of Industry and Commerce. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or pending in application for use in the same or similar category of commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Domain Name

In accordance with the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) which was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and came into effect on 1 November 2017, the establishment of domain name root servers, domain name root servers operating institutions, domain name registration and management institutions and domain name registration service institutions within the PRC shall obtain permits from competent governmental authorities of telecommunications. In principle, the domain name registration services are subject to the rule of "first come, first served", unless otherwise stipulated in corresponding detailed implementing rules for the domain name registration. Furthermore, the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) which was promulgated on 27 November 2017 and came into effect on 1 January 2018 stipulates internet information service providers as its main target on the overall anti-terrorism and maintaining internet security.

REGULATIONS ON EMPLOYMENT

According to the Labour Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on 5 July 1994 and amended on 27 August 2009 and 29 December 2018, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on 29 June 2007 and amended on 28 December 2012 and the Implementing Regulations of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated by the State Council and became effective on 18 September 2008, labour relationship establishes between the employers and the employees from the date of employment. The employers shall enter into written labour contracts with full-time employees. The employers shall pay the employees the labour remuneration on time and in full amount in accordance with the labour contracts and relevant laws and regulations. Violations of the Labour Law of the PRC and the Labour Contract Law of the PRC may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010, became effective on 1 July 2011 and was amended on 29 December 2018, the Regulations on Work-Related Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Trial Measures for Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), the Interim Regulations on Collection of Social Insurance Premiums (《社會保險費徵繳暫行條例》), employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for their employees. If employers fail to pay the social insurance premiums, other than for legitimate reasons such as force majeure, the competent authority shall order the employers to pay the overdue payment or the deficit and the overdue fine within a specific term. In the event of failure to make the aforesaid payment within such specific term, an additional fine may be imposed.

According to the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, the employers must register with the competent housing provident fund management centre and, upon the examination by such management centre, complete procedures for opening an account at the relevant banks for the deposit of their employees' housing provident fund. Employers are required to pay, on behalf of their employees, for housing provident funds. In the event of any failure of the employers to register or to pay the housing provident fund, the competent housing provident fund management centre shall order for completing the formalities or paying the overdue amount or the deficit within a specific term, and failure to complete the registration formalities may result in an overdue fine.

REGULATIONS ON TAXATION

Enterprise Income Tax ("EIT")

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), which was promulgated by the NPC on 16 March 2007 and last amended with effect from 29 December 2018 by SCNPC, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) enacted on 6 December 2007 by the State Council and became effective on 1 January 2008 and amended on 23 April 2019 (collectively, the "**EIT Law**"), enterprises as taxpayers are classified as either "resident enterprises" or "non-resident enterprises". Enterprises that are set up in the PRC under the PRC laws, or that are set up in accordance with the law of the foreign country (region) whose actual administration institution is in PRC, shall be considered as "resident enterprises". Enterprises established under the law of the foreign country (region) with "de facto management bodies" outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC, shall be considered as "non-resident enterprises".

A resident enterprise shall pay EIT on its income originating from both inside and outside the PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC fall into the category of resident enterprises, which shall pay EIT for the income originating from domestic and overseas sources at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from the PRC obtained by such establishments or places of business, and on its income deriving outside PRC but has actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its income derived from the PRC at a reduced EIT rate of 10%. According to the EIT Law, dividends paid to foreign investors of foreign-invested companies are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC.

The PRC 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税和防止偷漏税的安排》) (the "**Arrangement**") on 21 August 2006 and implemented the Arrangement from 1 January 2007 in mainland China and from 1 April 2007 in Hong Kong. According to the Arrangement, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that such Hong Kong tax resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident if such Hong Kong tax resident holds less than 25% of the equity interests in the PRC company.

Individual Income Tax on Indirect Transfer of Non-resident Individuals

According to the Official Reply of the State Administration of Taxation to Relevant Policies of Equity Transfers by Non-resident Individuals (《國家税務總局〈關於非居民個人股權轉讓相關政策的批覆〉》(國税函[2011]14號)) (the "**Circular 14**"), an indirect transfer of equity interests of a PRC resident enterprise by a non-PRC resident individual (the "**Non-resident Individual**") may be re-characterised and treated as an indirect transfer of PRC taxable assets, and the income of the Non-resident Individual from such equity transfer might be subject to relevant individual income tax.

It remains uncertain whether any of our transactions involving the PRC taxable assets outside the PRC will be reclassified by applying the Circular 14. If any of our transactions involving the PRC taxable assets outside the PRC constitutes an indirect transfer of the PRC taxable assets and is subject to relevant individual income tax, the amount of the individual income tax shall be calculated based on the "income from the transfer" (the difference between the consideration for transfer and costs of equity interests) and applicable tax rate.

Enterprise Income Tax on Indirect Transfer of Non-resident Enterprises

On 3 February 2015, the SAT issued the Announcement on Certain Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得税若干問題的公告》, the "**Circular 7**"). Pursuant to Circular 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterised and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and is established for the purpose of avoiding payment of PRC EIT. As a result, gains derived from such indirect transfer may be subject to PRC EIT. Circular 7 provides two exemptions: (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling equity interests of the same overseas listed company on a public market; and (ii) where the non-resident enterprise had directly held and transferred such PRC taxable assets, the income from the transfer of such PRC taxable assets would have been exempted from EIT in the PRC under an applicable tax treaty or arrangement.

Dividend Tax

Pursuant to the Circular of the SAT on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied by the fiscal resident of the other party to the tax agreement directly owning a certain percentage or more (generally 25% or 10%) of the capital of a Chinese resident company which pays dividends to such a fiscal resident, in order to enjoy the preferential tax rates provided under the tax agreement: (i) the tax resident that receives dividends shall be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reach the percentages specified in the tax agreement; and (iii) the equity interests of the PRC resident company directly owned by such tax resident at any time during the continuous twelve months prior to receiving the dividends reach a percentage specified in the tax agreement.

According to the Announcement of the SAT on Promulgation of the Administrative Measures for Non-resident Enterprises to Enjoy Treatment under Tax Treaties (《國家税務總局關於發布〈非居民納税人享受税收協定待遇管理辦法〉的公告》), which was promulgated by the SAT on 27 August 2015 with effect from 1 November 2015, if a non-resident enterprise that receives dividends from a PRC resident enterprise wishes to enjoy the preferential tax treatments under the tax agreements, it shall submit relevant report form and materials to the competent tax authority when making the first tax declaration in the relevant tax year or when the withholding agent makes the first withholding declaration in the relevant tax year. The rule was replaced by the Announcement of the SAT on Promulgation of the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment under Treaties (《國家税務總局關於發布〈非居民納税人享受協定待遇管理辦法〉的公告》) which was promulgated by the SAT on 14 October 2019 and came into effect on 1 January 2020.

Value-added Tax ("VAT")

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》) which was promulgated by the State Council on 13 December 1993, and amended on 5 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例實施細則》) which was promulgated by the Ministry of Finance on 25 December 1993 and subsequently amended on 15 December 2008 and 28 October 2011 (collectively, the "**VAT Law**"), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《關於印發〈營業税改徵增值税試點方案〉的通知》(財税[2011]110號)), which was promulgated by the MOF and the SAT, the State began to launch taxation reforms in a gradual manner with effect from 1 January 2012, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation industry and certain modern service industries.

In accordance with Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》(財税[2016] 36號)), which was promulgated on 23 March 2016 and came into effect on 1 May 2016, upon approval of the State Council, the pilot programme of the collection of VAT in lieu of business tax was promoted nationwide in a comprehensive manner starting from 1 May 2016.

The Notice on the Adjustment to VAT Rates (《關於調整增值税税率的通知》), which was promulgated by the MOF and the SAT on 4 April 2018 and became effective as of 1 May 2018 adjusted the applicative rate of VAT, and the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值税改革有關政策的公告》(財政部、税務總局、海關總署公告2019年第39號)) promulgated by MOF, SAT and General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% or 10% applies currently, it shall be adjusted to 13% or 9%, respectively.

Transfer Pricing

According to the EIT Law, for the transactions between the enterprise and its related parties, if not meeting the arm's length principle, or if done by the enterprise for unreasonable commercial purpose, the tax authority may adjust the taxable revenue or income in compliance with reasonable methods (including comparable uncontrolled price method, resale price method, cost-plus method, transactional net profit method, profit split method and other methods that meet the arm's length principle). According to the Implementation Measures for Special Tax Adjustment (Trial Implementation) (《特別納税調整實施辦法(試行)》) which was promulgated by the SAT on 8 January 2009 and became effective on 1 January 2008, and was amended on 16 June 2015, 29 June 2016, 11 October 2016, 17 March 2017, 15 June 2018 and 26 May 2023 respectively, related party transactions between an enterprise and its related parties shall follow the arm's length principle.

Pursuant to the EIT Law and the Law of the PRC on the Administration of Tax Collection (《中華人民共和國税收徵收管理法》), which was first promulgated on 4 September 1992 by the Standing Committee of the NPC and amended on 28 February 1995, 28 April 2001, 29 June 2013 and 24 April 2015, related party transactions should comply with the arm's length principle. In the event that the related party transactions fail to comply with the arm's length principle resulting in the reduction of the enterprise's taxable income, the tax authority has power to make adjustments with reasonable methods within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

On 29 June 2016, the SAT issued the Public Notice regarding Refining the Reporting of Related Party Transactions and Administration of Transfer Pricing Documentation (《國家税務總局關於完善關聯申報和同期資料管理有關事項的公告》) ("**PN 42**"). PN 42 provides new transfer pricing compliance requirements in the PRC, including Annual Reporting Forms for Related Party Transaction ("**RPT Forms**"), Country-by-Country Reporting Form ("**CbC Reporting Form**") and Transfer Pricing Documentation ("**TPD**"), all of which are substantial changes to the previous rules. The CbC Reporting Forms are required for the Chinese resident enterprise if: (i) it is the ultimate holding company of a multinational enterprise's ("**MNE**") group with combined revenue over RMB5.5 billion, or (ii) it is nominated by the MNE group as the CbC Reporting Entity. PN 42 adopts a three-tiered approach for TPD, including master file, local file and special issue file, and sets different thresholds for each file and type of transaction. If the company meets either of the following criteria, a master file should be prepared: (i) have cross-border related party transactions and belong to a group which has prepared the master file; or (ii) the total amount of related party transactions exceeds RMB1 billion. The threshold for the local file is dependent on the type of related party transactions, which are listed below: (i) RMB200 million for tangible assets transfer (in the case of toll process, the amount in the annual customs record for toll processing should be included); (ii) RMB100 million for financial assets transfer; (iii) RMB100 million for intangible assets transfer; or (iv) RMB40 million for other related party transactions in total.

On 17 March 2017, the SAT issued the Public Notice of the State Taxation Administration Regarding the Release of the "Administrative Measure for Special Tax Investigation Adjustments and Mutual Agreement Procedures" (《國家税務總局關於發佈〈特別納税調查調整及相互協商程序管理辦法〉的公告》) ("**PN 6**"). PN 6 provides rules on risk management, investigations and adjustments, administrative review and mutual agreement procedures regarding the special tax adjustment and other relevant issues. PN 6 highlights the tax authorities' emphasis on strengthening the monitoring of enterprises' profit levels, and improving enterprises' compliance with the tax law through special tax adjustment monitoring and administration as well as special tax investigation adjustment. PN 6 reinforces the transfer pricing administration on intercompany intangibles and services transactions, and provides certain methods and principles for investigations and adjustments.

OVERSEAS LISTINGS

On 17 February 2023, CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies《(境內企業境外發行證券和上市管理試行辦法》)(the "**Trial Administrative Measures**") and five items of supporting guidelines, which mainly standardise activities relating to direct or indirect overseas issuance and listings of securities by domestic enterprises and became effective on 31 March 2023. According to the Trial Administrative Measures, a domestic company that seeks to offer and list securities in overseas markets shall fulfil the filing procedure with the CSRC as per requirement of the Trial Administrative Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders and disclose other required information. Any overseas offering and listing made by an issuer that meets both the following conditions will be determined as indirect:

(1) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; and

(2) the main parts of the issuer's business activities are conducted in the Mainland China, or its main places of business are located in the Mainland China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in the Mainland China.

Meanwhile, it is stipulated that under any of the following circumstances, an overseas listing shall not be allowed: (1) there are circumstances in which national laws, regulations and relevant provisions explicitly prohibit listing for financing; (2) the overseas issuance or listing threatens or endangers national security as reviewed and determined by the relevant competent departments of the State Council in accordance with the laws; (3) the domestic enterprise and its controlling shareholder or actual controller have committed corruption, bribery, embezzlement of property, misappropriation of property or disruption of the socialist market economic order in the recent three years; (4) the domestic enterprise is being investigated by judiciary for suspected crimes or is being investigated for major violations of laws and regulations and no definite conclusions have been reached; (5) there are major ownership disputes over equity rights held by the controlling shareholder or the shareholder governed by the controlling shareholder or the actual controller. Under the Trial Administrative Measures, a filing-based regulatory system would be implemented covering both direct and indirect overseas offering and listing. For an initial public offering and listing in an overseas market, the issuer shall submit to CSRC filing documents within three working days after the offering documents are submitted overseas. CSRC would, within 20 working days if filing documents are complete and in compliance with the stipulated requirements, issue a filing notice thereof and publish the filing results on the website of CSRC. If not, CSRC should inform the issuer of supplementary documents within 5 working days after receiving filing documents and the issuer should provide relevant supplementary documents within 30 working days.

50% or more of our operating revenue, total assets, and net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by our PRC operating subsidiaries. The main parts of our business activities are conducted in the Mainland China, and the members of our senior management in charge of our business operation and management are mostly Chinese citizens or domiciled in the Mainland China. As such, as confirmed by our PRC Legal Advisers, we are subject to the [REDACTED] as the [REDACTED] constitutes an indirect [REDACTED] by domestic enterprises under the Trial Administrative Measures.

HOUSE LEASING FILING

Pursuant to the Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on 1 December 2010 and became effective on 1 February 2011, the parties concerned to a housing tenancy shall go through the housing tenancy registration formalities with the local construction (real estate) administrative department. For such violation and failing to make corrections within the specified time limit urged by the local construction (real estate) administrative department, a fine ranging from RMB1,000 to RMB10,000 for each unfiled leasing agreement may be imposed.

According to the Civil Code of the PRC, if the parties to a lease contract fail to go through the formalities of registration of such contract in accordance with the provisions of laws and administrative regulations, the effectiveness of the contract shall not be affected.

HISTORY, REORGANISATION AND GROUP STRUCTURE

OVERVIEW

The history of our Group can be traced back to November 2002 when Rujian International was founded. At the time of its establishment, the registered capital of Rujian International was RMB1 million and was held as to 85% by Mr. Wang and 15% by Ms. Zhu Jue, who was an employee of Rujian International. Mr. Wang provided all of the funding of the registered capital, and the 15% equity interests were registered in the name of Ms. Zhu Jue on trust for the benefit of Mr. Wang until December 2006. The trust arrangement in Rujian International was put in place in compliance with the statutory requirements on the number of equity-holders of limited company because, pursuant to the PRC Company Law, prior to 1 January 2006, a natural person was not allowed to invest and establish a limited company with a single equity-holder (一人有限責任公司). For the biography of Mr. Wang, please refer to the section headed "Directors, Senior Management and Employees" in this document.

As an incentive to serve Rujian International in December 2006, Mr. Wang had arranged the legal ownership and beneficial interest of the 15% equity interests of Rujian International held by Ms. Zhu Jue to be transferred to Ms. Wang Jing, who was the then sales manager of Rujian International. For details, please refer to the paragraph headed "Corporate Development — Rujian International" below in this section.

Our Group launched the first series of DHA products in 2007. For further information of our products, please refer to the paragraph headed "Business — Our Products" in this document.

MILESTONES

The table below sets out some of our major events and milestones in the development of our business:

Year	Events
2007	Launch of Numans series of DHA products
2010	Launch of Numans probiotics products
2012	Launch of Numans Vitamin D products
2015	Received Parenting Net Mothers' Reputable Choice in 2015 — Popular Pregnancy Preparatory Product* (2015年度育兒網媽媽口碑之選 — 年度人氣備孕用品) award from Parenting Net* (育兒網), a parenting website in the PRC

Year	Events
2017	Received Consumers' Favourite Nutritional Product Brand* (消費者最喜愛的營養品品牌) conferred by Leyou Babies to Kids (樂友孕嬰童)
	Received 2017 Product Quality Award* — Golden Wheat Awards (2017年度母嬰類品質類大獎 — 金麥獎) conferred by Taobao World Media Co., Ltd.* (淘寶天下傳媒有限公司)
2019	The 5th Cherry Award — Children and Infant Nutritional Product Brand Annual Best Performance Award* (第五屆櫻桃大賞 — 年度嬰兒營養品品牌最佳表現力大獎) from Myguancha.com (母嬰行業觀察) and Cherry Award Assessment Committee* (櫻桃大賞評委會)
2020	Received The 6th Cherry Award — Children and Infant Nutritional Product Brand Annual Best Performance Award* (第六屆櫻桃大賞 — 年度嬰幼兒營養品品牌最佳表現力大獎) from Myguancha.com (母嬰行業觀察)
	Received the China Children Industry Award — Annual Best Brand Award* (中國嬰童產業原點獎 — 年度最佳品牌力獎) conferred by China Children Industry Award Committee* (中國嬰童產業原點獎組委會)
2021	Received China Nutritional Products Ginkgo Award* — Industry-wide Sales Prize* (中國營養品銀杏獎 — 行業全域營銷獎) conferred by Beijing Yunxuan Zhongtong Culture Media Co., Ltd.* (北京雲宣中童文化傳媒有限公司) and Maternal and Infant Nutritional Products Commentary* (《母嬰營養品評論》)
	Received Parenting Net Mothers' Reputable Choice 2021* — Popular Baby Nutritional Product* (2021年度育兒網橙品清單媽媽口碑之選 — 寶寶用品年度人氣營養品) and Parenting Net Mothers' Reputable Choice 2021* — Popular Maternal Medicine/Nutritional Product* (2021年度育兒網橙品清單媽媽口碑之選 — 媽媽用品年度人氣藥品營養品) from Parenting Net* (育兒網), a parenting website in the PRC
	Received China Children Industry Award — Annual Best Brand Award* (中國嬰童產業原點獎 — 年度最佳品牌獎) conferred by China Children Industry Award Committee* (中國嬰童產業原點獎組委會) and Beijing Yunxuan Zhongtong Culture Media Co. Ltd.* (北京雲宣中童文化傳媒有限公司)

Year	Events
	Received The 7th Cherry Award — Children and Infant Nutritional Product Brand Annual Best Performance Award* (第七屆櫻桃大賞 — 年度嬰幼兒營養品品牌最佳表現力大獎) from Myguancha.com (母嬰行業觀察) and Cherry Award Assessment Committee* (櫻桃大賞評委會)
2022	Received the China Nutritional Products Ginkgo Award 2022* — Industry Leader Award* (中國營養品銀杏獎 — 2022年度行業引領獎) conferred by Beijing Yunxuan Zhongtong Culture Media Co., Ltd.* (北京雲宣中童文化傳媒有限公司) and Maternal and Infant Nutritional Products Commentary* (《母嬰營養品評論》)
	Received Tmall Children and Infant Food Industry Award* — Item of the Year Award — Infant Nutritional Products* (2022年度天貓嬰童食品行業獎 — 年度超級單品獎 — 年度寶寶營養品) from Tmall (天貓國際)
2023	Received the FY 2023 Category Captain of the Year* (2023財年天貓國際品類冠軍營) from Tmall (天貓國際)
	Received the FY 23 Tmall Global Maternal and Infant Industry Purple Star Thunder Award* (FY 23天貓國際母嬰行業紫曜雷霆獎) from Tmall (天貓國際)

CORPORATE DEVELOPMENT

Our Group

As at the Latest Practicable Date, our Group comprised our Company, a BVI company, a Hong Kong company, 4 PRC companies and a company incorporated in the Republic of Seychelles. The following table sets out some brief details of our Company and our subsidiaries as at the Latest Practicable Date:

Entity	Date of incorporation/ establishment	Place of incorporation/ establishment	Amount of registered capital/ issued share capital	Amount of paid up capital	Principal activities
Our Company	21 January 2019	Cayman Islands	HK$380,000	HK$0.2	Investment holding
Honat Management	18 August 2009	BVI	US$10,100	US$10,100	Investment holding
Numans HK	6 June 2006	Hong Kong	HK$200	HK$200	Investment holding and holding intellectual properties
Rujian International	12 November 2002	PRC	RMB1,000,000	RMB1,000,000	Import of raw materials

Entity	Date of incorporation/ establishment	Place of incorporation/ establishment	Amount of registered capital/ issued share capital	Amount of paid up capital	Principal activities
Gold Nemans	20 December 2010	PRC	HK$5,000,000	HK$5,000,000	Sales of nutritional products
Hontat Nutritional	6 April 2011	PRC	HK$5,000,000	HK$5,000,000	Sales of nutritional products
Aumay Dairy	9 November 2017	PRC	RMB10,000,000	RMB10,000,000	Sales of nutritional products
Numans Sales	16 January 2014	Republic of Seychelles	US$50	US$50	Sales of nutritional products

Our Company

Our Company is an exempted company incorporated in the Cayman Islands with limited liability on 21 January 2019. On the date of its incorporation, the initial Share was issued to the initial subscriber who is an independent third party, and transferred to Far-East Fortune. The initial authorised share capital of our Company is HK$380,000 divided into 380,000,000 Shares of a par value of HK$0.001 each. On the same date, Far-East Fortune applied for, and the Company allotted and issued to Far-East Fortune 99 Shares in our Company fully paid up by cash at par.

As a result of the transfer of the entire issued shares of Hontat Management to our Company as described in "Hontat Management" below, an additional of 100 Shares were allotted and issued, credited as fully paid, to Far-East Fortune on 28 March 2019.

Hontat Management

Hontat Management was incorporated as an investment holding company in the BVI with limited liability on 18 August 2009. The number of authorised shares of Hontat Management is 50,000 shares of US$1.00 each. At the time of activation in March 2010, Hontat Management was owned as to 60% by Ms. Cui and 40% by Mr. Wang.

On 24 June 2010, Ms. Cui, at the direction of Mr. Wang, transferred her 15% interests in Hontat Management to Ms. Wang Jing for nil consideration and her remaining 45% interests in Hontat Management to Mr. Wang for nil consideration. Subsequent to the transfer, Hontat Management was owned as to 85% by Mr. Wang and 15% by Ms. Wang Jing.

Ms. Wang Jing was an employee of our Group since January 2005. As an incentive, Mr. Wang directed Ms. Cui to transfer to Ms. Wang Jing 15% of the shareholding in Hontat Management on 24 June 2010. The issue price of such shares has not been paid up and Ms. Wang Jing assumed the issue price owing to Hontat Management from Ms. Cui and such issue price was set-off by the dividend payment of Hontat Management for the year ended 31 December 2010. On 31 December 2015, Ms. Wang Jing ceased to participate in the management of our Group and the 15% shareholding in Hontat Management should be transferred back to Mr. Wang. Instead of transferring the said shares back to Mr. Wang, Ms. Wang Jing has been holding such shares as nominee for and on behalf of Mr. Wang.

As part of the Reorganisation, on 27 March 2019, Ms. Wang Jing transferred the legal ownership of 15% shareholding in Hontat Management to Mr. Wang for nil consideration. Subsequent to the transfer, the trust arrangement mentioned above has ceased and Hontat Management is wholly owned by Mr. Wang.

On 28 March 2019, Mr. Wang (as vendor) entered into a sale and purchase agreement with our Company (as purchaser), pursuant to which Mr. Wang transferred the entire issued shares of Hontat Management to our Company in consideration of allotting and issuing 100 Shares in our share capital, credited as fully paid to Far-East Fortune. Subsequent to the transfer, Hontat Management is directly and wholly owned by our Company.

Numans HK

Numans HK, a company incorporated in Hong Kong, engages in investment holding and holding intellectual properties activities. At the time of its incorporation on 6 June 2006, the initial Share was issued to the initial subscriber, who is an independent third party. At the time of activation in November 2006, the initial Share was transferred to Mr. Zhang Jingbin, and 100 shares and 99 shares in Numans HK were allotted, issued to, and fully paid by Mr. Jiang Junping and Mr. Zhang Jingbin who were independent third parties, respectively at a total subscription price of HK$199, and that Numans HK was owned as to 50% by Mr. Jiang Junping and 50% by Mr. Zhang Jingbin. On 18 August 2010, Mr. Zhang Jingbin transferred his 50% interests in the issued share capital in Numans HK to Mr. Wang for a consideration of HK$100. On the same date, Mr. Jiang Junping transferred his 35% interests in the issued share capital in Numans HK to Mr. Wang for a consideration of HK$70 and his remaining 15% interests in the issued share capital in Numans HK to Ms. Wang Jing for a consideration of HK$30. Subsequent to the transfer, Numans HK was owned as to 85% by Mr. Wang and 15% by Ms. Wang Jing. Mr. Wang used to serve at a company out of our Group with Mr. Zhang Jingbin and did not have any relationship with Mr. Jiang Junping. The spouse of Mr. Zhang Jingbin was interested in one of our regional distributors prior to the Track Record Period to which our sales amounted to approximately RMB0.2 million for FY2020 and during the Track Record Period, no sales was recorded. To the best of the knowledge of our Directors, Numans HK was a shelf company prior to its acquisition by Mr. Wang and Ms. Wang Jing in August 2010, and save as disclosed above, our Group does not have any past or present relationship with Mr. Jiang Junping and Mr. Zhang Jingbin. Mr. Wang believed that such offshore structure would also be more attractive on possible equity fund raising exercise by, in particular, overseas investors, who were then believed to be more familiar with the offshore/Hong Kong capital market and legal system.

On 17 January 2011, Mr. Wang and Ms. Wang Jing transferred their respective interests in Numans HK to Hontat Management for a consideration of US$170 and US$30 respectively. Subsequent to the transfer, Numans HK was directly and wholly owned by Hontat Management.

Rujian International

Rujian International was established in the PRC on 12 November 2002. At the time of the establishment of Rujian International, its paid up registered capital was RMB1 million. Rujian International was then owned as to 85% by Mr. Wang and 15% by Ms. Zhu Jue, an employee of Rujian International, respectively. For details of the trust arrangement between Mr. Wang and Ms. Zhu Jue, please refer to this paragraph headed "Overview" above in this section.

On 28 December 2006, Ms. Zhu Jue, at the direction of Mr. Wang, entered into an equity transfer agreement with Ms. Wang Jing for the transfer of her 15% equity interests in Rujian International at RMB0.15 million, which were determined based on the then paid up registered capital of Rujian International in the amount of RMB1 million. The consideration was fully settled in cash and transfer was completed on the same date. Subsequent to the transfer, Rujian International was owned as to 85% by Mr. Wang and 15% by Ms. Wang Jing respectively.

On 5 July 2017, Mr. Wang and Ms. Wang Jing entered into an equity transfer agreement with Numans HK for the transfer of their equity interests in Rujian International to Numans HK at a consideration of RMB0.85 million and RMB0.15 million, respectively, which were determined based on the then paid up registered capital of Rujian International in the amount of RMB1 million. The transfer was completed in September 2017 and subsequent to the transfer, Rujian International was wholly owned by Numans HK.

Gold Nemans

Gold Nemans was established in the PRC on 20 December 2010. At the time of the establishment of Gold Nemans, its registered capital was HK$5 million and was wholly owned by Numans HK. Its registered capital was fully paid up by Numans HK on 8 October 2012.

Hontat Nutritional

Hontat Nutritional was established in the PRC on 6 April 2011. At the time of establishment of Hontat Nutritional, its registered capital was HK$5 million and was then wholly owned by Ms. Cui. Its paid up registered capital was fully settled by Ms. Cui by 10 January 2013.

On 25 October 2013, Ms. Cui entered into an equity transfer agreement with Far-East Fortune for the transfer of her equity interests in Hontat Nutritional at HK$5 million, which were determined based on the then paid up registered capital of Hontat Nutritional in the amount of HK$5 million. The transfer was completed on 3 July 2014. Subsequent to the transfer, Hontat Nutritional was wholly owned by Far-East Fortune.

On 22 October 2018, Far-East Fortune (as vendor) and Numans HK (as purchaser) entered into a sale and purchase agreement, pursuant to which Far-East Fortune transferred its entire equity interests in Hontat Nutritional to Numans HK for a consideration of HK$5 million in cash, which was determined based on the registered capital of Hontat Nutritional. The transfer was completed on 13 December 2018. Subsequent to the transfer, Hontat Nutritional was entirely owned by Numans HK.

Aumay Dairy

Aumay Dairy was established in the PRC on 9 November 2017. At the time of the establishment of Aumay Dairy, its registered capital was RMB10 million and was wholly owned by Gold Nemans.

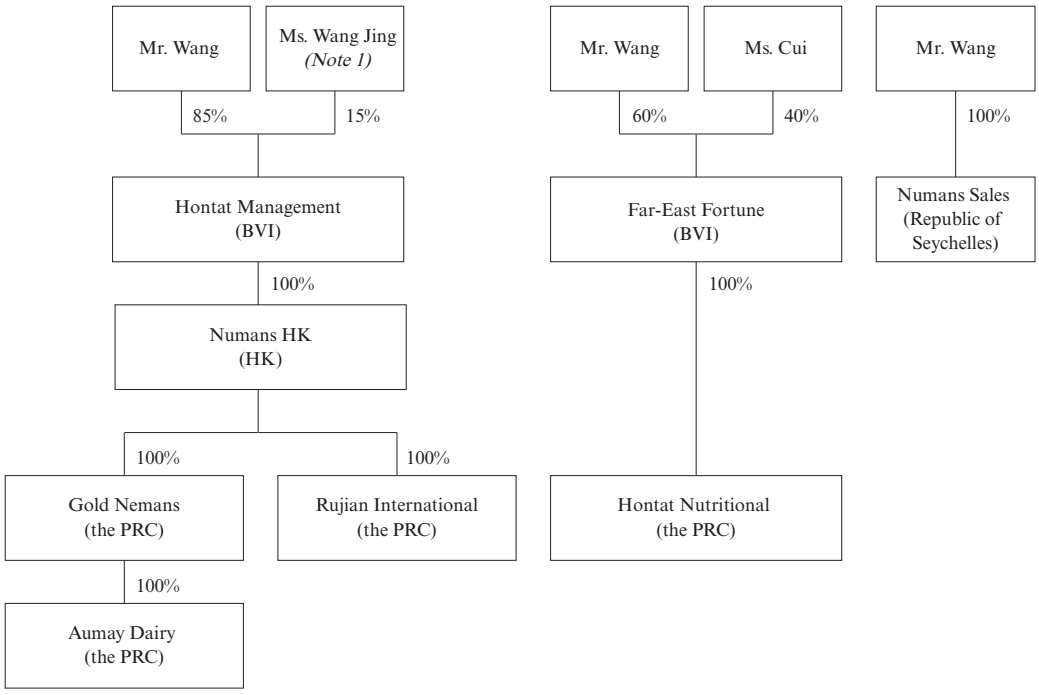
Numans Sales

Numans Sales was incorporated in the Republic of Seychelles on 16 January 2014. The authorised capital of Numans Sales is US$100,000 and is made up of one class and series of shares divided into 100,000 shares of US$1.00 par value with one vote for each share. On 13 January 2017, Numans Sales was activated and 50 shares of Numans Sales were first allotted and issued, as fully paid to Mr. Wang for a consideration of US$50. Subsequent to the allotment, Numans Sales was wholly owned by Mr. Wang.

As part of the Reorganisation, on 28 March 2019, Mr. Wang (as vendor) and Hontat Management (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Wang transferred the entire issued shares of Numans Sales to Hontat Management in consideration of Hontat Management allotting and issuing 100 Shares in our share capital to Mr. Wang, credited as fully paid. Subsequent to the transfer, Numans Sales was entirely owned by Hontat Management.

REORGANISATION

The shareholding and group structure of our Group prior to our Reorganisation is as follows:



Note 1: The 15% shareholding in Hontat Management is held by Ms. Wang Jing as nominee for and on behalf of Mr. Wang.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Our Group underwent the Reorganisation prior to [REDACTED] which involved the following steps:

1. Acquisition of the entire issued capital of Hontat Nutritional by Numans HK

On 22 October 2018, Far-East Fortune (as vendor) and Numans HK (as purchaser) entered into a sale and purchase agreement, pursuant to which Far-East Fortune transferred the entire equity interests of Hontat Nutritional to Numans HK for a consideration of HK$5,000,000 in cash, which was determined based on the registered capital of Hontat Nutritional.

Subsequent to the transfer, Hontat Nutritional was entirely owned by Numans HK.

2. Acquisition of the 31% equity interests in Far-East Fortune by Mr. Wang

Prior to the Reorganisation, Far East Fortune is held as to 40% by Ms. Cui and 60% by Mr. Wang. In order to rationalise the shareholding percentage between Mr. Wang and Ms. Cui in our Group, on 31 December 2018, Ms. Cui transferred 31% shareholding in Far-East Fortune to Mr. Wang, which is calculated based on the net asset value of Hontat Nutritional attributable to our Group, at a consideration of HK$122,000. The transfer was completed on 31 December 2018.

3. Incorporation of the Company

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 21 January 2019. On the date of its incorporation, the fully paid initial Share was issued to Sharon Pierson, an independent third party, and transferred to Far-East Fortune. The initial authorised share capital of the Company was HK$380,000 divided into 380,000,000 Shares of a par value of HK$0.001 each. On the same date, Far-East Fortune applied for, and the Company allotted and issued to Far-East 99 Shares in the Company fully paid up by cash at par.

As a result of the transfer of the entire issued shares of Hontat Management to our Company as described in "6. Acquisition of the entire issued capital of Hontat Management by our Company" below, an additional of 100 Shares were allotted and issued, credited as fully paid, to Far-East Fortune on 28 March 2019.

4. Acquisition of the 15% equity interests in Hontat Management by Mr. Wang

On 27 March 2019, Ms. Wang Jing transferred the legal ownership of 15% shareholding in Hontat Management to Mr. Wang for nil consideration. Subsequent to the transfer, the trust arrangement in relation to Ms. Wang Jing holding the interests in Hontat Management as nominee for Mr. Wang mentioned above has ceased and Hontat Management is wholly owned by Mr. Wang. For the reasons of the transfer, please refer to the paragraph "Corporate Development — Hontat Management" in this section above.

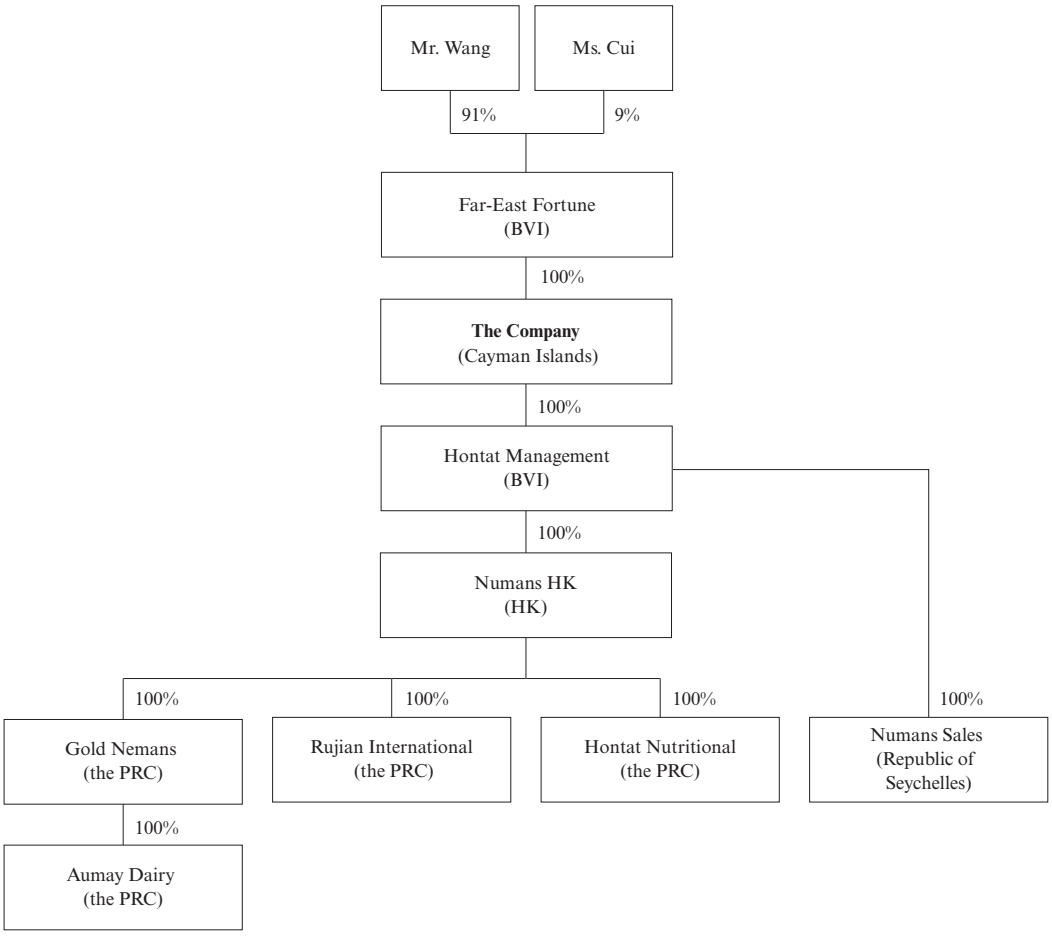
5. Acquisition of the entire issued capital of Numans Sales by Hontat Management

On 28 March 2019, Mr. Wang (as vendor) and Hontat Management (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Wang transferred the entire issued shares of Numans Sales to Hontat Management in consideration of Hontat Management allotting and issuing 100 Shares to Mr. Wang, credited as fully paid. Subsequent to the transfer, Numans Sales was entirely owned by Hontat Management.

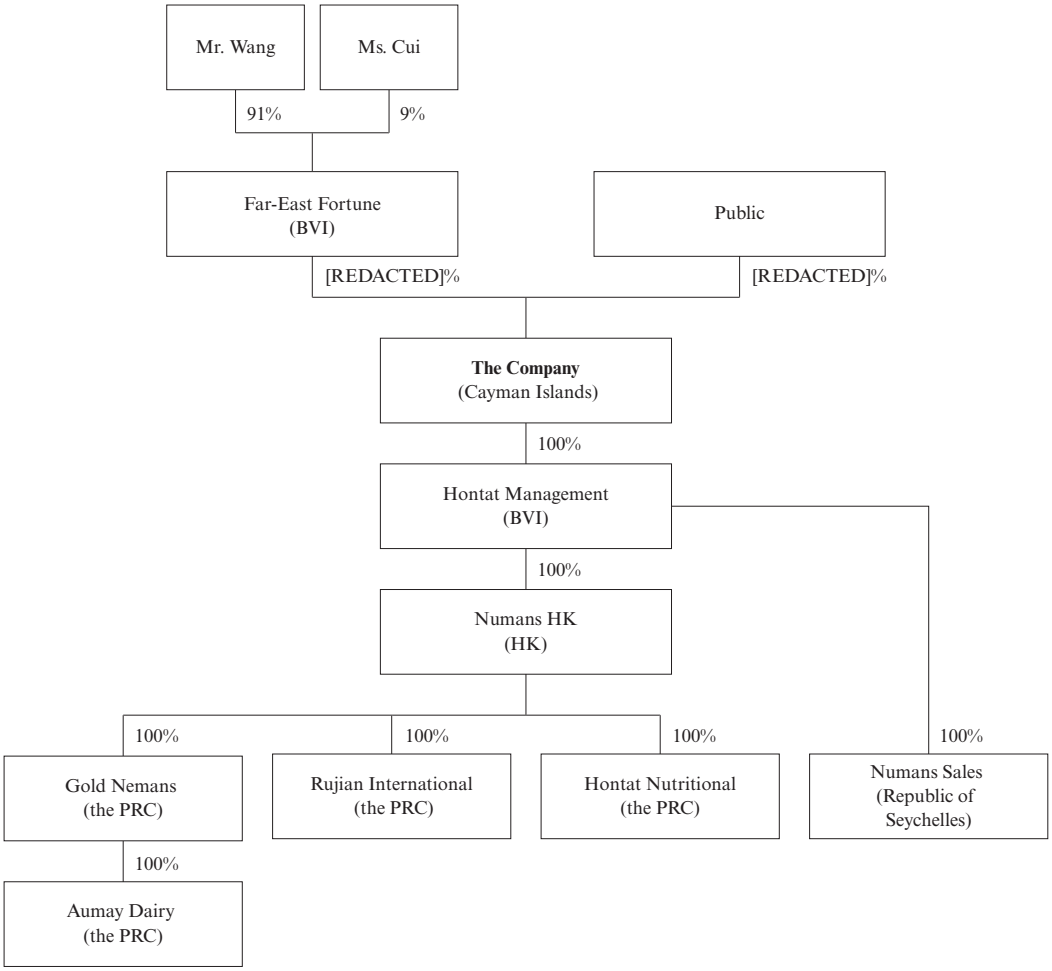
6. Acquisition of the entire issued capital of Hontat Management by our Company

On 28 March 2019, Mr. Wang (as vendor) entered into a sale and purchase agreement with our Company (as purchaser), pursuant to which Mr. Wang transferred the entire issued shares of Hontat Management to our Company in consideration of allotting and issuing 100 Shares, credited as fully paid to Far-East Fortune. Subsequent to the transfer, Hontat Management is directly and wholly owned by our Company.

The following chart shows the shareholding structure of our Company immediately after the Reorganisation but before completion of the Capitalisation Issue and the [REDACTED]:



The following chart shows the shareholding structure of our Company immediately following completion of the Capitalisation Issue and the [REDACTED] (assuming that the [REDACTED] and the options which may be granted under the Share Option Scheme are not exercised at all):



Each of the acquisitions and equity transfers pursuant to the Reorganisation has been properly and legally completed and settled, including all applicable regulatory approvals having been obtained.

M&A RULES

Pursuant to the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors of MOFCOM* (《商務部關於外國投資者併購境內企業的規定》) which was amended in June 2009 (the "**M&A Rules**"), where a domestic individual or enterprise intends to implement a merger and acquisition of his/her/its related non-foreign-invested company in the name of an offshore company which he/she/it lawfully establishes or controls, such merger and acquisition shall be subject to the examination and approval of the MOFCOM. As advised by our PRC Legal Advisers, for the equity transfer of Mr. Wang and Ms. Wang Jing in Rujian International to Numans HK, as described in the paragraph headed "Corporate Development — Rujian International" in this section, as Mr. Wang, the ultimate equity owner of Numans

HK, at the time of the equity transfer, had been Hong Kong permanent resident, he is not subject to the M&A Rules and not subject to the examination and approval of the MOFCOM. As advised by our PRC Legal Advisers, for the acquisition of the entire issued capital of Hontat Nutritional by Numans HK, as described in the paragraph headed "Reorganisation" in this section as Hontat Nutritional is a foreign-invested company, the M&A Rules is not applicable to the acquisition. However, such equity transfer and acquisition are subject to the relevant record filing requirements stipulated in the Interim Measures for Record-filing Administration over the Establishment 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》) promulgated by the MOFCOM on 8 October 2016 and amended on 30 July 2017 and 29 June 2018. Rujian International had completed the record-filing of the equity transfer on 17 September 2017 and registered the equity transfer with the local Administration for Market Regulation on 30 September 2017. Hontat Nutritional had completed the record-filing of the change of investor resulting from the aforesaid acquisition on 7 November 2018 and registered the change of investor with the local Administration for Market Regulation on 13 December 2018. Our PRC Legal Advisers advised that all approvals, permits, registration or filing required by applicable PRC Laws for the aforesaid acquisition has been obtained or completed.

FOREIGN EXCHANGE REGISTRATION UNDER SAFE CIRCULAR NO. 37 AND SAFE CIRCULAR NO. 13

Pursuant to the SAFE Circular No. 37 and the SAFE Circular No. 13, where domestic individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with relevant banks with respect to their investments. For details, please see the paragraph headed "Regulatory Overview — Regulations on Foreign Exchange Control" in this document.

As Mr. Wang and Ms. Cui are permanent residents of Hong Kong, our PRC Legal Advisers confirmed that they are not required to effect registration as required under the SAFE Circular No. 37 and the SAFE Circular No. 13.

SHARE OPTION SCHEME

Please refer to the paragraph headed "Statutory and General Information — 3. Further information about our Directors and substantial Shareholders — 3.5. Share Option Scheme" in Appendix IV to this document for a summary of the principal terms of the Share Option Scheme.

OVERVIEW

We are principally engaged in the marketing, sales and distribution of finished nutritional products in the PRC. During the Track Record Period, we sold our nutritional products under our proprietary brands, namely "紐曼思" and "紐曼斯" (in English, "Nemans"), which can be broadly categorised into five main types, namely algal oil DHA, probiotics, vitamins, multi-nutrients and algal calcium products. Our business relies heavily on our brands. Our suppliers adopt an OEM model to manufacture and/or affix labels of our brands on our nutritional products.

We commenced to sell and distribute DHA products in 2007. We are a proprietary brand owner in the algal oil DHA segment in the maternal and children nutritional product industry in the PRC. We position our nutritional products as high quality nutritional products, targeting consumers ranging from pregnant and postpartum women, infants to children. In particular, the principal raw materials of our algal oil DHA products are supplied by DSM Group, which is a reputable overseas supplier, and we set the recommended retail price of our algal oil products at above RMB4.0 per DHA capsule. As a proprietary brand owner, we strive to target and market our nutritional products to customers in the PRC, who have increasing health and nutritional awareness.

Our algal oil DHA products are our major products, which contributed to a substantial proportion of our revenue during the Track Record Period. For FY2021, FY2022, FY2023, 6M2023 and 6M2024, the sales of our algal oil DHA products accounted for approximately 91.9%, 92.7%, 94.7%, 93.5% and 96.2% of our total revenue, respectively. According to Frost & Sullivan, the maternal and children algal oil DHA market in the PRC can be divided into products launched by international players and domestic players, where the products of domestic players can be further categorised into products with locally sourced and imported algal oil DHA raw materials. Domestic brands with imported algal oil DHA raw materials accounted for 28.5% of the total retail sales value of algal oil DHA products in the PRC in 2023, out of which we accounted for approximately 20.5% in 2023, ranking us the largest domestic brand in terms of retail sales value of algal oil DHA products made from imported raw materials. Leveraging on our success of our algal oil DHA products, we have been marketing other nutritional products such as probiotics, vitamins, multi-nutrients and algal calcium products.

We strive to offer nutritional products made from high quality and safe raw materials. To monitor the quality of our products, we require our suppliers for our algal oil DHA and probiotics products to use key raw materials supplied by DSM Group and the Probiotics Raw Material Supplier, which are reputable suppliers of nutritional products. Such key raw materials would then be processed into our finished nutritional products. The high quality of our products is proven by our various awards including the Babytree Brilliant Awards 2020 — Quality National Brand Award* (Babytree寶寶樹金樹獎 — 2020年度優質國民品牌獎) by Babytree (寶寶樹), being a maternity and infant-focused community platform in China, the Children Baby Maternity Expo 2020 — Prestigious Brand Partner Awards (CBME 2020 感恩同行共生未來 — 榮耀品牌伙伴獎) by the Children Baby Maternity Expo (CBME孕嬰童展) and the Parenting Net

Mothers' Reputable Choice 2021* — Popular Baby Nutritional Product* (2021年度育兒網橙品清單媽媽口碑之選 — 寶寶用品年度人氣營養品) by the Parenting Net* (育兒網), being a parenting website in the PRC. We have also received the Cherry Award — Children and Infant Nutritional Product Brand Annual Best Performance Award* (櫻桃大賞 — 年度嬰幼兒營養品品牌最佳表現力大獎) presented by Myguancha.com (母嬰行業觀察) and Cherry Award Assessment Committee* (櫻桃大賞評委會) for three consecutive years from 2019 to 2021 and the 8th Cherry Award — Children and Infant Nutritional Product Brand Annual Outstanding Performance Award* (第八屆櫻桃大賞 — 年度嬰幼兒營養品品牌傑出表現力大獎) in 2022. In 2023, we further received FY 2023 Category Captain of the Year* (2023財年天貓國際品類冠軍營) and FY 23 Tmall Global Maternal and Infant Industry Purple Star Thunder Award* (FY 23天貓國際母嬰行業紫曜雷霆獎). For details of our awards and recognitions, please refer to the paragraph headed "Awards and recognitions" in this section.

We sell our products through our diversified sales and distribution network in the PRC, comprising both online and offline channels. We believe that our online sales channels enhance the visibility of our brands and enable our products to be more accessible to potential customers, while the geographical footprints of our offline sales channels allow us to leverage our geographical penetration built up over the years. Our products are available on popular online shopping platforms in the PRC. We sell our products to e-commerce companies which would on-sell our products on online shopping platforms to their customers, while we also sell our products through online shopping platforms to our customers. During FY2021, FY2022, FY2023 and 6M2024, we sold our products to 19, 18, 18 and 13 e-commerce companies, respectively. During FY2021, FY2022, FY2023 and 6M2024, we sold our products mainly through two, three, four and four online shopping platforms to our customers, respectively. During the Track Record Period, the online shopping platforms through which a substantial portion of our revenue was derived from included Taobao, Douyin and JD.com. To the best knowledge of our Directors, (i) the e-commerce companies sold our products mainly to individual customers; and (ii) the customers whom we sold our products to them through the online shopping platforms were mainly individual customers. As for our offline sales channels, we appointed regional distributors to market, sell and distribute our products, which then distribute our products to pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors. We strategically select regional distributors with downstream sales networks.

Our business has grown steadily over the years. During the Track Record Period, our revenue has grown from approximately RMB337.6 million for FY2021, to approximately RMB367.3 million for FY2022 and to approximately RMB426.5 million for FY2023. For 6M2024, our revenue amounted to approximately RMB146.1 million, representing a decrease of approximately RMB46.0 million from approximately RMB192.1 million for 6M2023.

During FY2022 and FY2023, we procured five milk powder products, which were imported from Australia and New Zealand, from Ausnutria Group. However, our sales performance of the milk powder products during FY2022 and FY2023 was not satisfactory. During FY2022 and FY2023, we procured approximately 407,000 units and 318,000 units of milk powder products from Ausnutria Group, respectively, but despite our efforts in marketing and promotion we only sold approximately 18,000 units and 11,000 units of milk powder products, respectively. As a result, as at 31 December 2022 and 31 December 2023, we recognised a write-down of milk

powder products in our consolidated statement of financial position of approximately RMB17.7 million and RMB20.8 million, respectively, and we made a provision for inventories loss on milk powder products in our consolidated statement of financial position of approximately RMB20.7 million and RMB35.9 million, respectively. The initial recognition of the aforesaid write-down and provision during FY2022 had caused an adverse impact on our financial performance for FY2022. For details, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Losses relating to milk powder products" in this document.

According to Frost & Sullivan, the retail sales value of maternal and children nutritional product market in the PRC has grown from approximately RMB60.9 billion in 2018 to approximately RMB101.7 billion in 2023, representing a CAGR of approximately 10.8%, and is expected to reach approximately RMB142.1 billion in 2028, representing a CAGR of approximately 6.9%. Taking into account our established market position, high degree of brand recognition in the PRC and our diversified sales and distribution network in the PRC, we believe that we are well-positioned to capture the expected growth in the maternal and children nutritional product industry in the PRC.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our Group has the following competitive strengths, which have driven the growth of our business and financial performance:

We have an established market positioning and high degree of brand recognition

Our Group entered the maternal and children nutritional product market in the PRC back in 2007. We are a proprietary brand owner in the algal oil DHA segment in the maternal and children nutritional product industry in the PRC. We target and market our nutritional products to pregnant and postpartum women, infants to children, catering for their needs in different stages of life. According to Frost & Sullivan, the maternal and children nutritional product industry in the PRC has grown steadily over the years due to the increasing health and nutritional awareness as well as the increasing purchasing power of customers and the Chinese culture of longing for children to thrive. We market our nutritional products under our proprietary brands, namely "紐曼思" and "紐曼斯" (in English, "Nemans"), and position our nutritional products as high quality nutritional products. Our brands "紐曼思", "紐曼斯" and "Nemans" are registered as trademarks in the PRC and Hong Kong under the name of Numans HK, being our subsidiary incorporated in Hong Kong. This arrangement serves to strengthen our brand image that our nutritional products use key raw materials supplied by overseas suppliers and that the majority of our nutritional products are processed overseas, thereby enhancing our brand image and boosting the reputation amongst our target consumers in the PRC.

According to Frost & Sullivan, the maternal and children algal oil DHA market in the PRC can be divided into products launched by international players and domestic players, where the products of domestic players can be further categorised into products with locally sourced and imported algal oil DHA raw materials. Domestic brands with imported algal oil DHA raw materials accounted for 28.5% of the total retail sales value of algal oil DHA products in the PRC in 2023, out of which we accounted for approximately 20.5% in 2023, ranking us the largest domestic brand in terms of retail sales value of algal oil DHA products made from imported raw materials. Leveraging our success in algal oil DHA products, we have been promoting other nutritional products such as probiotics, vitamins, multi-nutrients and algal calcium products under our proprietary brands, catering for consumers with different needs and consumption preferences. Over the years, we have received various awards in recognition of the popularity of our nutritional products, such as the Growth Engine Award* (增長引擎獎) in Tmall Global Double 11 Shopping Festival 2021* (2021天貓雙11全球狂歡節), the Tmall Children and Infant Food Industry Award 2022* — Item of the Year Award — Infant Nutritional Products* (2022年度天貓嬰童食品行業獎 — 年度超級單品獎 — 年度寶寶營養品) and FY 2023 Category Captain of the Year* (2023財年天貓國際品類冠軍營). For details of our awards and recognitions, please refer to the paragraph headed "Awards and recognitions" in this section.

According to Frost & Sullivan, the maternal and children nutritional product market in the PRC is expected to continue to expand because of the growing interest in health and wellness, as well as the increasing awareness of the benefits of maternal and children nutritional products. According to Frost & Sullivan, it is forecast that the retail sales value of maternal and children nutritional product market in the PRC will grow from approximately RMB101.7 billion in 2023 to approximately RMB142.1 billion in 2028, representing a CAGR of approximately 6.9%. We believe that our established market positioning and high degree of brand recognition, coupled with our advantage of marketing our brands for over a decade, and our strategy of using key raw materials supplied by overseas suppliers, would distinguish us from our competitors and maintain our competitive advantage to capitalise on the growing opportunities in the market.

We have a diversified sales and distribution network in the PRC

During the Track Record Period, our sales and distribution network in the PRC comprised both online and offline channels. Online sales channels allow customers to purchase our products at anytime from anywhere, and allow our products to reach a wider spectrum of customers from different parts of the PRC. At the same time, in light of the growing prevalence of e-commerce and consumers' reliance on online information in recent years, our online sales channels serve as channels for providing information about and promoting our nutritional products and our brands. Our online sales channels include popular online shopping platforms in the PRC such as JD.com, Tmall.com and VIP.com. We sell our products to e-commerce companies, which would on-sell our products on online shopping platforms to their customers, while we also sell our products through online shopping platforms to our customers. For FY2021, FY2022, FY2023 and 6M2024, our revenue derived from online sales channels accounted for approximately 64.1%, 66.3%, 73.1% and 80.7% of our total revenue of the corresponding years/period, respectively. During FY2021, FY2022, FY2023 and 6M2024, we sold our products to 19,

18, 18 and 13 e-commerce companies, respectively. During FY2021, FY2022, FY2023 and 6M2024, we sold our products mainly through two, three, four and four online shopping platforms to our customers, respectively. During the Track Record Period, the online shopping platforms through which a substantial portion of our revenue was derived from included Taobao, Douyin and JD.com.

Apart from online sales channels, we also sell our products offline through regional distributors. As at 30 June 2024, we appointed 17 regional distributors to distribute our products across the PRC. As such, our products can penetrate into the market in various parts of the PRC leveraging the downstream sales channels of our regional distributors, including pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors. We manage and monitor our regional distributors, and communicate with them from time to time. We provide product trainings to our regional distributors to ensure that they are familiar with our nutritional products. The geographical footprints of our offline sales channels provide our nutritional products with access to customers in different parts of the PRC, and had accelerated the penetration of our nutritional products in major cities in the PRC.

Our Directors believe that our diversified sales and distribution network in the PRC provides us with a solid foundation for further expanding the sales of our products, thereby enhancing the market recognition of our products and brands. In addition, our diversified sales and distribution network helps reduce our concentration risk in any local market.

We strategically select our suppliers of the key raw materials to be used in our nutritional products

We believe that maintaining the quality and safety of the raw materials used in our nutritional products is key to our success. Accordingly, we strive to uphold and maintain our product quality by strategically selecting the overseas suppliers of the key raw materials to be used in our nutritional products. We strictly require our suppliers to use key raw materials supplied by overseas raw material suppliers designated by us. In particular, we require our suppliers for our algal oil DHA products to use the key raw materials supplied by DSM Group. According to Frost & Sullivan, DSM Group is regarded as the leader in the algal oil DHA market in the PRC, manufacturing over 40% of the raw materials and finished products in terms of volume and value in the algal oil DHA market in the PRC in 2023. Furthermore, we require our suppliers for all of our probiotics products to use the raw materials supplied by the Probiotics Raw Material Supplier, which was one of the largest suppliers of probiotics raw materials in the PRC in 2023 accounting for approximately 35% of the total revenue in the market for the supply of probiotics raw materials in the PRC in 2023, according to Frost & Sullivan.

According to Frost & Sullivan, products using imported raw materials enjoy popularity among consumers in the maternal and children nutritional product industry in the PRC. In the past, PRC consumers' confidence in domestic brands was undermined by a series of scandals involving maternal and children products such as the 2008 Chinese milk scandal. Over years of effort, domestic brands are gradually gaining consumers' confidence, while the raw materials used by the largest domestic brands are mostly

imported from international chemical and nutrition companies. Therefore, finished algal oil DHA products which use key raw materials supplied by overseas suppliers and are processed overseas are perceived by PRC consumers as having high quality and enjoy higher level of consumers' confidence and demands in the PRC.

We believe that strategically selecting the overseas suppliers of the key raw materials can help assure the quality of our products, instil higher level of consumers' confidence, and maintain and improve our reputation.

We have an experienced and dedicated management team with extensive industry experience

We are led by an experienced and dedicated management team with substantial experience and knowledge in the nutritional product market in the PRC, which enables our Group to achieve growth over the years. Mr. Wang, our Chairman, Chief Executive Officer and executive Director, has more than 20 years of experience in enterprise operation and management, and has been managing our Group since its establishment. Mr. An Yong, who is the general manager of Aumay Dairy, has over 17 years of experience in the food industry and he is mainly responsible for the overall operations and management of our Group. Other members of our senior management have years of experience in the nutritional product industry or possess relevant management and financial experience. For the biographical details of our executive Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" in this document.

We believe that the expertise and operational experience of our management team, their relationship with various industry participants and their knowledge of consumer preferences in the PRC would enable our Group to formulate and implement appropriate business strategies, respond promptly to the fast-changing market environment and demands in the PRC nutritional product market, and help us achieve sustainable growth.

OUR BUSINESS STRATEGIES

Our business objectives are to achieve sustainable growth, increase our market share and strengthen our market position in the nutritional product market in the PRC. In furtherance of these objectives, we plan to adopt the following strategies:

1. **Intensify our marketing efforts through different marketing means to enhance public awareness of our brands**

We believe that successful branding is the key to our business development. We have developed "紐曼思" and "紐曼斯" (in English, "Nemans") with high degree of recognition in the PRC. According to Frost & Sullivan, major brands of nutritional products have been investing more and more on marketing and promotion in recent years for strengthening their brand recognition, in particular for online marketing and promotion on different social media platforms and attracting traffic to online sales channels. For example, one of the major brands of nutritional products incurred marketing and promotion expenses which account for approximately 28.9% of the revenue in 2023. There is a correlation

between the level of marketing and promotion expenses devoted to online marketing channels and the amount of sales recognised on online channels, provided the right marketing strategies and channels are adopted.

To further enhance the popularity of our nutritional products as well as our brand awareness and image in the PRC, we intend to intensify our marketing efforts, which is expected to support our further expansion of sales and distribution network.

Opportunities in the maternal and children nutritional product industry in the PRC

According to Frost & Sullivan, from 2018 to 2023, the market size of the maternal and children nutritional product industry in the PRC steadily increased from approximately RMB60.9 billion in 2018 to approximately RMB101.7 billion in 2023, representing a CAGR of approximately 10.8%. The growth was mainly contributed by the increasing health awareness of consumers and their rising income. As the market matures, it is forecast that the market will continue to grow and achieve approximately RMB142.1 billion in terms of retail sales value by the end of 2028, representing a CAGR of approximately 6.9%. Though the decline in the birth rate may negatively affect the maternal and children nutritional product industry in the PRC, the growing appreciation of the multi-faceted importance of maternal nutrition to the health and development of infants and toddlers is stimulating the demand for maternal and children nutritional products. Meanwhile, parents born in the 1990s and 2000s have taken over as the core customer group of maternal and children nutritional products, who generally emphasise scientific parenting. Thus, spending on maternal and children nutritional products has been increasing substantially over the past decade.

Since our first launch of DHA products back in 2007, we have been focusing our marketing, sales and distribution mainly in the first, new first and second-tier cities in the PRC. Apart from our Type C regional distributors, during the Track Record Period we mainly sold and distributed our products in the first, new first and second-tier cities in the PRC, such as Beijing, Chongqing, Jinan and Xi'an.

While we strive to maintain our position and market share in the first, new first and second-tier cities, our Directors consider that there are substantial potential and opportunities in the nutritional product industry in certain third and fourth-tier cities in Guangdong Province, Jiangsu Province, Shandong Province, Zhejiang Province and Anhui Province such as Shantou, Jiangmen, Jieyang, Zhanjiang, Zhaoqin, Chaozhou, Qingyuan, etc. (the "**Selected Cities**"). According to Frost & Sullivan, (i) the total market size of nutritional products in the Selected Cities increased impressively from approximately RMB14.3 billion in 2018 to approximately RMB50.3 billion in 2023, representing a CAGR of approximately 28.6% and is expected to reach approximately RMB124.9 billion in 2028, representing a CAGR of approximately 19.9%; (ii) while the annual disposable income per capita in the first and second-tier cities of Guangdong Province, Jiangsu Province, Shandong Province, Zhejiang Province and Anhui Province in 2023 ranged from approximately RMB35,000 to RMB76,000, the annual disposable income per capita in the Selected

Cities in 2023 ranged from approximately RMB25,000 to RMB68,000, indicating that there is an overlapping range to a certain extent; and (iii) the nutritional product market in the third and fourth-tier cities is less competitive because the leading brands in the industry historically focused their marketing and sales in the first, new first and second-tier cities in the PRC.

For further details on the potential of the nutritional product market in third and fourth-tier cities in Guangdong Province, Jiangsu Province, Shandong Province, Zhejiang Province and Anhui Province, please refer to the paragraph headed "Industry Overview — Overview of Nutritional Product Industry in the PRC — Market size analysis — Market size analysis of nutritional products in the selected third and fourth-tier cities" in this document.

Since 2020, we engaged Shanghai Yicunxin as our Type C regional distributor. Pursuant to our distribution agreements with our Type C regional distributors, they are allowed to market and distribute our products in all regions in the PRC except for the regions designated to Type A regional distributors. As such, some of our products were sold to the third and fourth-tier cities in the PRC by our Type C regional distributors during the Track Record Period. Given our relatively short period of business relationship with our Type C regional distributors, our Directors consider that the market penetration of our products in the third and fourth-tier cities in the PRC are still under development.

In view of the aforesaid and to further promote our products, our brand awareness and image and to strengthen our penetration especially in less developed regions which are not yet or insufficiently covered by our existing sales and distribution network, we intend to intensify our marketing efforts through different means to boost up our sales from both online and offline channels.

Opportunities in the online segment of the maternal and children nutritional product industry

According to Frost & Sullivan, along with improving internet coverage in the PRC, the total number of internet users increased from approximately 828.5 million in 2018 to approximately 1,092.0 million in 2023, representing a CAGR of approximately 5.7%. Accordingly, the internet penetration rate in the PRC grew from approximately 59.0% in 2018 to approximately 78.7% in 2023. As the PRC strives to boost the development of the internet industry, the deployment and upgrading of network infrastructure is expected to continue to expand. In light of the favourable policy and development plan for the internet industry, the number of internet users in the PRC is projected to reach approximately 1,220.7 million, with a penetration rate increasing to approximately 91.8% in 2028.

Furthermore, according to Frost & Sullivan, driven by the continuous innovation stimulus and upgrading construction of network infrastructure during the past years, the number of mobile internet users in the PRC experienced a rapid increase from approximately 817.0 million in 2018 to approximately 1,092.3 million in 2023 at a CAGR of approximately 6.0%, with the penetration rate of the total

internet users rising from approximately 58.1% to 77.5% during the same period. As the supportive and improving environment of mobile internet maintains, and another upcoming bout of infrastructure upgrades for 6G is in progress, the number of mobile internet users is expected to reach approximately 1,280.9 million by the end of 2028 with a penetration rate of the total internet users of approximately 91.7%.

According to Frost & Sullivan, benefiting from the rapid development of the logistics system and e-commerce platforms in the past few years, the online penetration rate of nutritional products increased from approximately 22.0% in 2018 to approximately 39.5% in 2023, and it is expected to increase to approximately 48.7% in 2028. As such, we believe there is a significant market potential for the sales of our products through online shopping platforms. We also believe that online sales platforms can help maximise the exposure of our brands and the accessibility of our products to consumers across the PRC. We view online sales channels not only important sales platforms but also effective means for brand building and marketing. For FY2021, FY2022, FY2023 and 6M2024, our revenue derived from online sales channels accounted for approximately 64.1%, 66.3%, 73.1% and 80.7% of our total revenue of the corresponding years/period, respectively.

Increasing our marketing efforts for increasing our online sales

(a) Online marketing and promotion of our brands and products on social media platforms

To leverage the advantage of online sales platforms to reach out and promote our brands and products to a larger group of customers, during the Track Record Period, we engaged a marketing company specialising in online marketing to promote our brands and nutritional products on different social media platforms in the PRC, such as WeChat (微信), Xiaohungshu (小紅書), Zhihu (知乎) and bilibili, by (i) formulating different advertising strategies for our brands and products; (ii) identifying new and innovative advertising opportunities and channels; and (iii) coordinating our advertising efforts to ensure our advertisements are presented on a variety of social media platforms and Apps to maximise the coverage and effectiveness of our advertising strategies. Our Directors believe that such efforts can help us reach out to customers who are not yet or insufficiently covered by our existing sales and distribution network, enhance our online sales by hyperlinking to our online sales platforms and offline sales by attracting customers to make physical in-store purchases, and strengthen our brand image and sales performance. Benefited from our online marketing efforts, our revenue derived from online sales channels increased from approximately RMB216.4 million for FY2021 to approximately RMB243.2 million for FY2022 and to approximately RMB311.5 million for FY2023. For 6M2024, our revenue derived from online sales channels amounted to approximately RMB117.9 million.

To maintain our growth in online sales, we plan to continue to adopt this marketing strategy and increase our effort on online marketing especially on social media platforms with an aim to reach out to and connect with customers in different cities and regions in the PRC without boundary. We plan to distribute promotional contents for our products on popular social media platforms and Apps such as Weibo (微博), Xiaohongshu (小紅書) and Douyin (抖音) more frequently. We intend to leverage the social influence of famous KOLs with at least 1 million followers on such social media platforms for online marketing, so as to further increase the exposure and profile of our brands and products. According to Frost & Sullivan, recruiting famous KOLs is a common industry practice for online marketing in the PRC within the nutritional product industry. Famous KOLs can utilise their follower base (at least 1 million followers) to advertise the products to targeted groups of customers, which is considered to be more effective than traditional methods of advertisement in targeting wider and more customer groups and sub-groups and increasing the visibility of our products and our brands. Given the volatility of popularity of the social media platforms and KOLs, we plan to allocate [REDACTED] from the [REDACTED] to engage famous and popular KOLs and social media platforms to market and promote our brands and products.

We have identified certain famous and popular KOLs on social media platforms focusing on mother or infant related products with follower base exceeding one million followers. We intend to use approximately HK$[REDACTED] out of the [REDACTED] from the [REDACTED] (representing approximately [REDACTED]% of the total [REDACTED]) for online marketing and promotion of our brand and products on social media platforms. The intended scope of marketing and promotion services by the KOLs would cover:

- brand endorsement through social media posts, videos and blog articles;
- product reviews and sharing unboxing experience;
- audience engagement through Q&A sessions, live streams and polls;
- initiating user-generated content such as engaging followers to share their experiences with our brand and products;
- brand storytelling about our brand's story, values and features;
- guest appearance on podcasts, webinars or other media to discuss our brands and products; and
- niche targeting to cater niches or communities to allow our brand to reach highly targeted audiences.

(b) Online marketing and promotion of our brand and products on online shopping platforms

E-commerce companies offer a variety of one-stop brand marketing and promotional products to help brands and retailers quickly attract traffic, acquire new users and enhance brand awareness. These marketing and promotional products allow merchants to direct user traffic to their storefronts. Such marketing and promotional products generally include the following types:

- **Pay for performance (P4P) marketing services:** Merchants primarily bid for keywords that match product or service listings appearing in search results through the online auction system on a cost-per-click (CPC) basis.

- **In-feed marketing services:** Merchants primarily bid to market to groups of customers with similar profiles that match product or service listings appearing in browser results through the online auction system on a cost-per-click (CPC) or cost-per-thousand impression (CPM) basis.

- **Display advertising services:** Merchants can place advertisements on mainstream websites like Tencent and Toutiao. The merchants are charged based on the period during which the advertising services are provided or on the number of times that the advertisement has been displayed based on cost per thousand impressions (CPM).

- **Third party promotion services:** E-commerce companies collaborate with third party medium and platforms to offer marketing services to merchants. The merchants are charged based on cost-per-sale (CPS). The commissions paid by merchants are based on a percentage of transaction value generated from the online sales platform.

For FY2021, FY2022, FY2023 and 6M2024, we incurred approximately RMB12.6 million, RMB21.4 million, RMB33.8 million and RMB21.6 million, respectively, for purchasing brand marketing and promotional products from the e-commerce companies to promote our products on the online shopping platforms, which accounted for approximately 49.3%, 68.7%, 67.9% and 67.2% of our total promotion expenses, respectively.

Given the increasing popularity of online shopping and customers' growing reliance on online information in recent years, brand marketing and promotional products offered by e-commerce companies are essential marketing tools for online marketing and promotion. According to public records, it is not uncommon that the nutritional product companies would incur a large amount of marketing and promotional expenses, which include expenses for such brand marketing and promotional products in the e-commerce platforms, and such expenses could amount to more than 20% of the revenue of some market players for the year.

We plan to apply approximately HK$[REDACTED] of our [REDACTED] from the [REDACTED] (representing approximately [REDACTED]% of the total [REDACTED]) for purchasing brand marketing and promotional products of e-commerce companies for promotion of our brands and products on online shopping platforms. We intend to invest in traffic at online shopping platforms to enhance visibility and priority of our products. In particular, we intend to purchase the services at the online shopping platforms such as (i) keyword bidding to position our products at the top of the search functions; (ii) homepage and category ads at the advertising space on the homepage or important category of the online shopping platforms; (iii) banner ads on the homepage, category pages, or other high-traffic areas of the online sales platforms; (iv) short video ads to showcase our products and capture user attention; and (v) retargeting ads to attract users who previously visited the pages for our products. As confirmed by our Directors, the marketing fees for the above services are generally 10% to 12% of our sales thereon.

Intensifying our marketing efforts for expanding our offline sales channels

During the Track Record Period, we engaged regional distributors to market, sell and distribute our products, which then distributed our products to pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors.

(a) Reasons for expanding our offline sales channels despite increasing customers' reliance on online sales network in recent years

Despite the increasing trend of online purchase in recent years, our Directors consider that our business strategy to expand our offline sales and distribution network remains necessary due to the following:

(i) Despite the growth of our revenue generated from online sales channels during the Track Record Period, we also recorded considerable sales via our offline sales channels. Throughout the Track Record Period, our revenue generated from our offline sales channels amounted to approximately RMB121.2 million, RMB124.1 million, RMB115.0 million and RMB28.2 million for FY2021, FY2022, FY2023 and 6M2024, respectively. This shows that our offline sales channels cannot be entirely replaced by our online sales channels. Our Directors believe that offline sales channels have been the fundamental sales channels of our Group since the commencement of our nutritional product business back in 2007 and will continue to contribute significant revenue to our Group in the foreseeable future.

(ii) We believe there is a synergy effect that the offline sales could drive an increase in online sales of our nutritional products. Offline distribution network with traditional sales channels such as pharmacies and maternal and children product stores facilitate the establishment and maintenance of customers' awareness of our brands and products by directly reaching out to our customers. Certain portion of these customers may switch to purchase online for convenience when they have established a well reception to our brands, confidence in and regular consumption of our nutritional products. As such, our Directors believe that the development of online and offline sales of nutritional products goes hand-in-hand, which our strategy to expand our sales and distribution network is expected to drive our online sales in the long run.

(iii) Even though e-commerce in the PRC maintained rapid growth during the past few years, offline channels such as maternal and children product stores, drug stores and hospitals remain to be vital sales channels for maternal and children nutritional products in the PRC due to the cautious attitude of consumers towards online sales channels for maternal and children products. According to Frost & Sullivan, the offline market size of nutritional products in the PRC is expected to maintain a stable growth from approximately RMB157.4 billion in 2023 to approximately RMB179.2 billion in 2028 at a CAGR of approximately 2.6%. The tangible products in offline physical stores are more likely to give customers a sense of authenticity, and customers can communicate face-to-face with the salespersons and receive immediate feedbacks.

(b) Conferences and major trade fairs and industry events

During the Track Record Period, we co-organised a number of events with our distributors such as conferences and product information seminars for healthcare practitioners, industry players and customers. We invited medical and nutritional scholars, professors, healthcare professionals and practitioners to be the speakers in these conferences and seminars on health, nutritional and disease related topics. Our Directors believe that organising these conferences can help explain the features of nutritional products to medical and health practitioners in the industry and customers, and enhance our brand image. We also believe that these conferences could better and effectively help our regional distributors market and promote our products. As we plan to further promote our brands and our products to different regions in the PRC, we intend to continue to organise these conferences and seminars from time to time, in a larger scale and cover more cities in the PRC. We plan to organise approximately 15 to 20 conferences in each of the next three years.

During FY2021, FY2022, FY2023 and 6M2024, we participated in 11, 11, 10 and 13 conferences, major trade fairs and industry events, respectively held in various locations in the PRC, such as Shanghai, Hangzhou, Zhejiang, Jiangsu, Shandong, Henan, Fujian, Shanxi, Guangxi and Anhui. Included in those events were Children Baby Maternity Expo (CBME嬰童展) in 2021 and 2023, which were one of the major industry events. As an illustration, the number of attendees at the Children Baby Maternity Expo 2023 reached approximately 100,000 according to the official organiser. For FY2021, FY2022, FY2023 and 6M2024, our costs incurred in those events amounted to approximately RMB1.5 million, RMB1.6 million, RMB2.2 million and RMB1.5 million, respectively. In order to promote our brands and our products to potential distributors as well as pharmacies, maternal and children product stores, postpartum care centres and retail stores, which can then sell and promote our brands and products nationwide, we plan to continue to participate in major trade fairs and industry events of nutritional products in the PRC. We plan to participate and showcase our products in major trade fairs and industry events in different major cities and regions of the PRC such as Beijing, Shanghai, Hangzhou, Zhejiang, Jiangxi, Anhui, Shanxi and Henan etc. in the next three years, which we consider could effectively promote our brands. We also plan to devote more resources to lease sizeable booths at premium location of the exhibition halls with better traffic and to improve our stall design and decoration to attract the attention of attendees. The costs of participating in trade fairs and industry events vary depending on the scale of the event, the location of the event as well as the scale and location of the booth which we plan to set up. We plan to participate in approximately 15 to 20 major trade fairs or industry events in each of the next three years, costs of which comprise rental, design fees and setting up fees of booth and advertising fees. We intend to apply approximately HK$[REDACTED] of our [REDACTED] from the [REDACTED] (representing approximately [REDACTED]% of the total [REDACTED]) for organising conferences and participating in major trade fairs and industry events.

2. Promotion of our products in Hong Kong and expansion of our sales network to Hong Kong

According to Frost & Sullivan, given that products using imported raw materials enjoy popularity among customers in the maternal and children nutritional product industry in the PRC, domestic brands setting up offices and stores in Hong Kong may further reinforce the image and impression of imported raw materials and overseas processing of products in the minds of customers. According to Frost & Sullivan, nutritional products which are sold in Hong Kong are perceived by PRC consumers as trustworthy and reliable. Therefore, if our products are promoted and sold in Hong Kong, our Directors believe that it will further boost consumers' confidence in our products.

In the circumstances, we plan to further strengthen our brand image by promoting our products in Hong Kong and expanding our sales network to Hong Kong. In particular, we plan to:

(i) set up a retail store in a shopping mall in Central, Hong Kong. Coupled with the fact that we use key raw materials supplied by overseas suppliers for our algal oil DHA and probiotics products, we believe that such strategy could further strengthen the international element of our brands. We plan to apply approximately HK$[REDACTED] of our [REDACTED] from the [REDACTED] (representing approximately [REDACTED]% of the total [REDACTED]) to finance the setting up of a retail store in Hong Kong. The following table sets forth the breakdown of estimated costs for setting up the retail store in Hong Kong:

	HK$'000
Annual retail store rental	7,080
Annual salary of retail store staff	2,128
Renovation and set-up costs of retail store	2,655
Licensing fee	10
Total	**11,873**

We intend to lease a retail store at a monthly rental at HK$590,000 with floor area of at least 1,000 sq.ft. We also intend to hire new staff for operating our retail store, the details of which are set out below:

Position	**Preferred experience**	**Approximate monthly salary**	**No. of headcounts**	**Expected annual cost** *HK$'000*
Store manager	above 10 years	HK$55,000	1	660
Sales representatives	3–5 years	Ranging from HK$33,000–HK$36,000	3	1,252
Supporting staff	N/A	HK$18,000	1	216
Total:				**2,128**

As advised by our Hong Kong legal adviser, pursuant to our Group's business model and business plan, our Group is required to apply for Registration as Food Importer/Food Distributor issued by the Food and Environmental Hygiene Department.

(ii) engage an independent marketing agent based in Hong Kong to launch a series of promotional activities for our products in Hong Kong. We plan to apply approximately HK$[REDACTED] of our [REDACTED] from the [REDACTED] (representing approximately [REDACTED]% of the total [REDACTED]) to finance such promotional activities in Hong Kong and consultation fees for such independent marketing agent. In selecting the independent marketing agent, we primarily consider the following credentials: (i) its experience in marketing and promoting foreign maternity and children brands in Hong Kong; (ii) its brand portfolio; and (iii) coverage of marketing and promotion services. In particular, the marketing and promotion services by the independent marketing agent would cover:

- television commercial (TVC), covering video production with the involvement of celebrities to be broadcast in TV channels;
- outdoor print advertising, covering layout design and exhibiting our advertisement at public transport and our outdoor billboards;
- shop opening event management, covering the selection of celebrities and KOLs, managing public relation and KOL seeding, preparing and monitoring media reports;
- sponsorship management for sponsorship to TV programs, nutritionists, celebrities, KOLs, mothers' sharing groups;
- digital platform strategic promotion, covering production of videos to be used at various online channels such as social media platforms, video sharing platforms, KOL seeding and parenting platform seeding; and
- promotion at Baby Expos and other roadshows.

(iii) set up an office and warehouse to support the operation of our retail store and distribution of our products in Hong Kong. We plan to apply approximately HK$[REDACTED] of our [REDACTED] from the [REDACTED] (representing approximately [REDACTED]% of the total [REDACTED]) to finance the setting up of an office and warehouse in Hong Kong. The following table sets forth the breakdown of estimated costs for setting up the office and warehouse in Hong Kong:

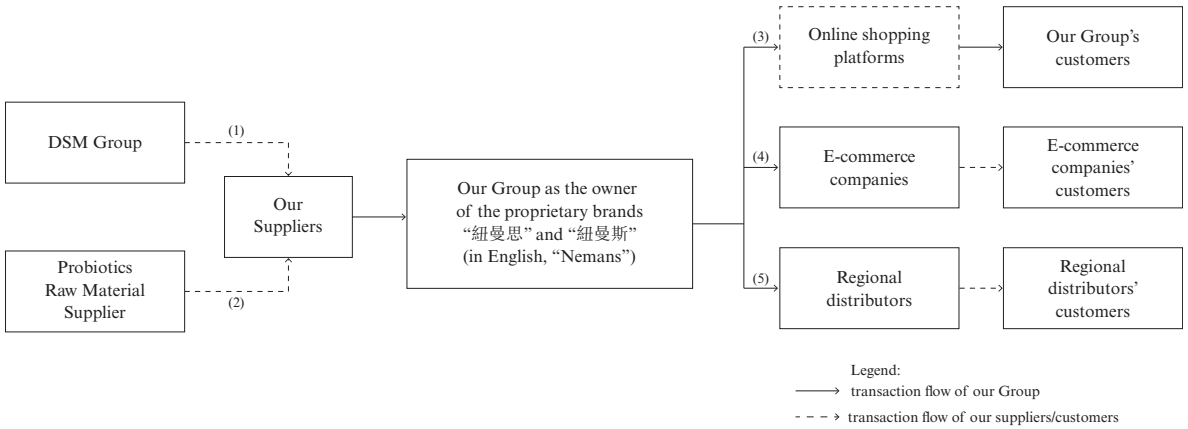
	HK$'000
Annual office rental	1,680
Annual salary of office staff	1,032
Renovation and set-up costs of office	4,700
Annual warehouse rental	120
Total	**7,532**

We intend to lease an office and a warehouse at a monthly rental at HK$140,000 and HK$10,000, respectively. We also intend to hire new staff for operating our office and warehouse, the details of which are set out below:

Position	Preferred experience	Approximate monthly salary	No. of headcounts	Expected annual cost *HK$'000*
Office manager	Above 7 years	HK$43,000	1	516
Office staff	5 years	HK$25,000	1	300
Supporting staff	N/A	HK$18,000	1	216
Total:				**1,032**

OUR BUSINESS MODEL

We are principally engaged in the marketing, sales and distribution of nutritional products in the PRC. We sell our nutritional products under our proprietary brands, namely "紐曼思" and "紐曼斯" (in English, "Nemans"), which can be broadly categorised into five main types, namely algal oil DHA, probiotics, vitamins, multi-nutrients and algal calcium products. Our business relies heavily on our brands. Our suppliers adopt an OEM model to manufacture and/or affix labels of our brands on our nutritional products. The following diagram illustrates our business model regarding the sales of our major products, namely algal oil DHA and probiotics products, and our main sales channels:



Notes:

(1) We require our suppliers for our algal oil DHA products to use key raw materials supplied by DSM Group. For details of our purchases of finished algal oil DHA products, please refer to the paragraph headed "Our Purchases — Procurement of products from our suppliers — Algal oil DHA products" in this section.

(2) We require our suppliers for our probiotics products to use key raw materials supplied by the Probiotics Raw Material Supplier. For details of our purchases of finished probiotics products, please refer to the paragraph headed "Our Purchases — Procurement of products from our suppliers — Probiotics products" in this section.

(3) This represents our sales through online shopping platforms to our customers. For revenue recognition purpose, the customers ordering through the online shopping platforms are our customers.

(4) This represents our direct sales to e-commerce companies, which would on-sell our products on online shopping platforms to their customers. For revenue recognition purpose, the e-commerce companies are our customers.

(5) This represents our sales to regional distributors, which then distributed our products to pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors. For revenue recognition purpose, the regional distributors are our customers.

Our revenue increased from approximately RMB337.6 million for FY2021 to approximately RMB367.3 million for FY2022 and further increased to approximately RMB426.5 million for FY2023. For 6M2024, our revenue amounted to approximately RMB146.1 million, representing a decrease of approximately RMB46.0 million from approximately RMB192.1 million for 6M2023. For detailed analysis of our revenue, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Revenue" in this document.

Our gross profit margin remained relatively stable at approximately 73.0%, 74.4%, 75.2% and 75.8% for FY2021, FY2022, FY2023 and 6M2023, respectively, and slightly decreased to approximately 71.9% for 6M2024.

OUR PRODUCTS

During the Track Record Period, we sold our nutritional products, which can be broadly categorised into five main types, namely algal oil DHA, probiotics, vitamins, multi-nutrients and algal calcium products. Our nutritional products were sold under our brands "紐曼思" and "紐曼斯" (in English, "Nemans") during the Track Record Period. Our nutritional products mainly target pregnant and postpartum women, infants and children. During the Track Record Period, our best-selling nutritional products were our algal oil DHA products, the revenue of which amounted to approximately RMB310.2 million, RMB340.6 million, RMB404.1 million, RMB179.7 million and RMB140.5 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively, accounting for approximately 91.9%, 92.7%, 94.7%, 93.5% and 96.2% of our total revenue, respectively, for the corresponding years/periods. During FY2022, FY2023 and, to a very limited extent, 6M2024, we also sold five milk powder products under the brands licensed by Ausnutria Group and derived insignificant revenue therefrom. For details, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Losses relating to milk powder products" in this document. Our milk powder products mainly target at infants, children and adults.

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

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Algal oil DHA products	310,216	91.9	340,610	92.7	404,148	94.7	179,682	93.5	140,471	96.2
— New Zealand DHA Products	*247,305*	*73.2*	*240,136*	*65.4*	*289,093*	*67.7*	*133,691*	*69.6*	*89,538*	*61.3*
— U.S. DHA Products	*55,253*	*16.4*	*90,816*	*24.7*	*108,957*	*25.5*	*42,521*	*22.1*	*49,114*	*33.6*
— PRC DHA Products	*7,658*	*2.3*	*9,658*	*2.6*	*6,098*	*1.5*	*3,470*	*1.8*	*1,819*	*1.3*
Probiotics products	23,834	7.1	19,485	5.3	18,432	4.3	9,908	5.2	4,893	3.3
Vitamins products	1,837	0.5	1,025	0.3	690	0.2	394	0.2	223	0.2
Multi-nutrients products	1,311	0.4	2,011	0.6	1,207	0.3	678	0.4	208	0.1
Algal calcium products	410	0.1	538	0.1	236	0.1	236	0.1	—	—
Milk powder products	—	—	3,628	1.0	1,832	0.4	1,178	0.6	291	0.2
Total revenue	**337,608**	**100.0**	**367,297**	**100.0**	**426,545**	**100.0**	**192,076**	**100.0**	**146,086**	**100.0**

Please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Revenue — Revenue by products" in this document for further details of our revenue by products during the Track Record Period.

Algal oil DHA products

According to the U.S. Food & Drug Administration, some studies in infants suggest that including DHA in infant formulas may have positive effects on visual function and neural development over the short term. Algal oil DHA is determined to be generally recognised as safe (GRAS) for addition to food by the U.S. Food and Drug Administration.

We first launched our DHA products back in 2007. Our algal oil DHA products were our most important product category in terms of sales during the Track Record Period. Our algal oil DHA products consisted of seven products and were processed in New Zealand, the U.S. and, to a lesser extent, the PRC. We require our suppliers for our algal oil DHA products to use key raw materials supplied by DSM Group. They take the form of soft capsules and include algal oil DHA as their key ingredient. Algal oil DHA products mainly target pregnant and postpartum women, infants to children, with the aim at enhancing the development of the brain and eyes, as well as the immune system of infants to children, and relieving the symptoms of forgetfulness and anxiety of mothers during pregnancy and of postpartum depression after childbirth. Our algal oil DHA products generally have a shelf life of 24 to 36 months from the date of production.

We have obtained authorisation to use the trademarks of DSM Group on the packaging of our algal oil DHA products to indicate that our algal oil DHA products were made from algal oil DHA supplied by DSM Group. For details, please refer to the paragraph headed "Our Suppliers — Relationship with DSM Group" in this section.

Probiotics products

According to the Food and Agriculture Organisation of the United Nations ("**FAO**") and the World Health Organisation ("**WHO**"), probiotics is defined as "live micro-organisms which when administered in adequate amounts confer a health benefit on the host". A number of health benefits conferred by the intake of probiotics have been documented including the prevention and treatment of gastrointestinal infections, certain bowel disorders, allergy and urogenital infections, and the modulation of host immunity.

We first launched our probiotics products back in 2010. During the Track Record Period, our probiotics products comprised four products. The probiotics used in such products were supplied by the Probiotics Raw Material Supplier and were mainly processed in Hong Kong. Our probiotics products take the form of solid drinks or powder in the form of sachet which can be easily mixed with food and beverages. The key ingredients of our probiotics products include Bifidobacterium Bb-12 and Lactobacillus rhamnosus LGG, which are certified as New Food Raw Material (新食品原料) by the MOH. Probiotics products are generally consumed by both adults and infants with the aim to improve digestion and boosting immunity. Our probiotics products generally have a shelf life of 24 months from the date of production.

Vitamin products

According to the U.S. Food & Drug Administration, the major function of vitamin D is to help with the absorption of calcium and phosphorus in the small intestine. Vitamin D deficiency can lead to abnormalities in bone metabolism.

During the Track Record Period, our vitamin products consisted of two products. Our vitamin products were mainly processed in the PRC. We first launched our vitamin products in 2012. They take the form of soft capsules and include Vitamin D3 as their key ingredient. Vitamin D is generally consumed by pregnant and postpartum women, as well as adults, children and infants who are in need of Vitamin D aiming at increasing the absorption of calcium and strengthening bones, teeth and immune system. Our vitamin products generally have a shelf life of 24 months from the date of production.

Multi-nutrient products

During the Track Record Period, our multi-nutrient products processed in the PRC consisted of two products. We first launched our multi-nutrient products in 2013. They take the form of softgel or powder and include various kinds of vitamins as their key ingredients. They are offered to pregnant women, infants to children between the age of six months to five years old. They generally have a shelf life of 24 months from the date of production.

Algal calcium products

Our algal calcium products refer to seaweed calcium gel candies sold during the Track Record Period. We first launched our algal calcium products in 2019. Such products were processed in the PRC. The products take the form of gel candies and contain seaweed powder and walnut oil as their key ingredients. Algal calcium products mainly target adults and children who are in need of calcium. Our algal calcium products generally have a shelf life of 24 months from the date of production.

Milk powder products

During FY2022 and FY2023, we procured five milk powder products from Ausnutria Group which were imported from Australia or New Zealand. Such milk powder products were sold under the brands licensed by Ausnutria Group. Please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Other losses, net — Losses relating to milk powder products" in this document for further details about sales of the milk powder products and our relationship with Ausnutria Group. Such milk powder products target infants at different stages, children and adults. They generally have a shelf life of 24 months from the date of production.

As at the Latest Practicable Date, we offered a total of 14 nutritional products. The following table sets out our products for sale as at the Latest Practicable Date:

Product[1]	**Location of processing company/ manufacturer**[4]	**Packaging (capsule/g)**	**Reference retail price**[3] **as at the Latest Practicable Date**[2] *(RMB/ unit)*	**Main ingredients**	**Sample product pictures**
Algal oil DHA					
DHA Algal Oil (Adult) DHA 藻油(成人型)	New Zealand	30 (capsules) 60 (capsules)	289 499	Algal oil DHA, edible gelatin, water and glycerine	
					

Product[1]	Location of processing company/ manufacturer[4]	Packaging (capsule/g)	Reference retail price[3] as at the Latest Practicable Date[2] *(RMB/ unit)*	Main ingredients	Sample product pictures
DHA Algal Oil (Children) DHA 藻油(兒童型)	New Zealand	30 (capsules) 90 (capsules)[5] 90 (capsules)	189 466 499	Algal oil DHA, edible gelatin, water and glycerine	  
DHA Algal Oil Softgel (Adult) DHA 藻油軟膠囊 (成人型)	U.S.	30 (capsules) 60 (capsules)	159 399	Algal oil DHA, edible gelatin, water and glycerine	
DHA Algal Oil Softgel (Children) DHA 藻油軟膠囊 (兒童型)	U.S.	30 (capsules) 90 (capsules)	159 399	Algal oil DHA, edible gelatin, water and glycerine	 
DHA Algal Oil Softgel (Adult) 藻油 DHA 軟膠囊 (成人型)	PRC	30 (capsules) 60 (capsules)	159 299	Algal oil DHA, gelatin, glycerol and purified water	
DHA Algal Oil Linseed Oil Arachidonic Acid Softgel DHA藻油亞麻籽油花生四烯酸軟膠囊	PRC	90 (capsules)	299	Algal oil DHA, linseed oil, arachidonic acid, gelatin, purified water, glycerol	
Probiotics					
Probiotics Solid Drink (Adult) 益生菌固體飲料(成人裝)	Hong Kong	30g	239	Maltodextrin, Bifidobacterium Bb-12, Lactobacillus acidophilus LA-5	

Product[1]	Location of processing company/ manufacturer[4]	Packaging (capsule/g)	Reference retail price[3] as at the Latest Practicable Date[2] *(RMB/ unit)*	Main ingredients	Sample product pictures
Probiotics Solid Drink (Female only) 益生菌固體飲料（女性專用）	Hong Kong	7g 30g	159 599	Maltodextrin, Lactobacillus reuteri RC-14, Lactobacillus rhamnosus GR-1	
Probiotics Solid drink (Children) 益生菌固體飲料（兒童裝）	Hong Kong	30g	269	Maltodextrin, Bifidobacterium Bb-12, Lactobacillus rhamnosus LGG	
					
Lactic Acid Bacteria Powder 乳酸菌粉劑	PRC	30g	229	Fructose-oligosaccharides, Bifidobacterium animalis Bb-12, Lactobacillus rhamnosus LGG	
Vitamins					
Vitamin D Softgel (Pregnant woman) 維生素D軟膠囊(孕婦型)	PRC	30 (capsules)	99	Vitamin D3, olive oil, gelatin, glycerine, purified water, corn oil and butylated hydroxytoluene (BHT)	
Vitamin D Softgel (Children) (Age 1–6) 維生素D軟膠囊(兒童型)（1–6歲）	PRC	30 (capsules)	99	Vitamin D3, olive oil, gelatin, glycerine, purified water, corn oil and butylated hydroxytoluene (BHT)	
Multi-nutrients					
Multivitamin-mineral Softgel 多種維生素礦物質軟膠囊	PRC	30 (capsules)	119	L-calcium ascorbate, Zinc gluconate, Ferrous fumarate, Nicotinic acid, D- α -tocopherol, D-calcium pantothenate, Retinyl acetate, Thiamine nitrate, Riboflavin, Pyridoxine hydrochloride, Sodium selenite, Cyanocobalamin, Folic acid	

Product[1]	Location of processing company/ manufacturer[4]	Packaging (capsule/g)	Reference retail price[3] as at the Latest Practicable Date[2] *(RMB/ unit)*	Main ingredients	Sample product pictures
Multi-nutrients (Infant) 多維營養素(嬰幼兒型)	PRC	60g	119	Maltodextrin, calcium carbonate, ferrous fumarate, zinc oxide, nicotinic acid, pantothenic acid, Vitamin A, Vitamin B1, Vitamin B2, Vitamin B6, Vitamin B12, Vitamin C, Vitamin D, folic acid, biotin	

Notes:

(1) Save for New Zealand DHA Products, all the nutritional products (including algal oil DHA, probiotics, vitamins and multi-nutrients products) were sold under our brands and bear the trademarks "紐曼思" and "Nemans" on their packagings.

(2) The reference retail price is a pricing guideline for distribution and is subject to changes at the time of promotion.

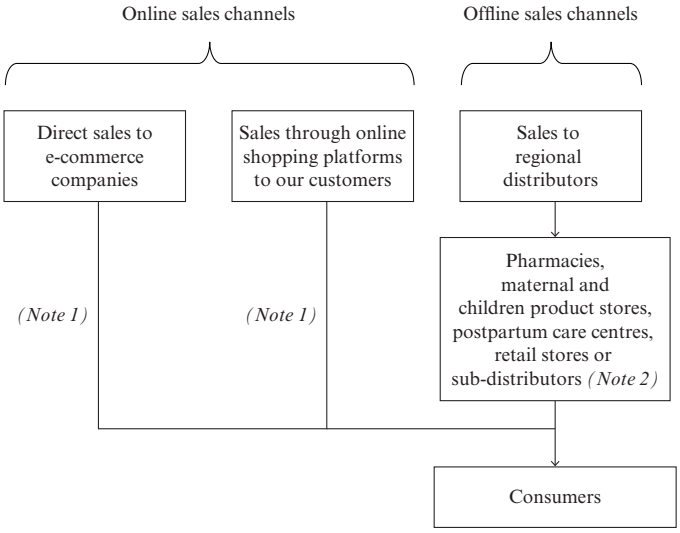
(3) The reference retail price of our products is provided to our distributors as pricing guideline only.

(4) The production locations are specified on the packaging of our products.

(5) This product bears the trademarks "紐曼斯" and "Nemans" on its packaging.

SALES AND DISTRIBUTION

The following diagram illustrates our major sales and distribution channels in the PRC:



Notes:

1. To the best knowledge of our Directors, (i) the e-commerce companies sold our products mainly to individual customers; and (ii) the customers whom we sold our products to them through the online shopping platforms were mainly individual customers.

2. We do not prohibit our distributors to engage sub-distributors to sell our products. Based on the sales reports provided by our five largest regional distributors for each year/period during the Track Record Period, save for Beijing Aomei Xingchen, none of them engaged sub-distributors to distribute our products during the Track Record Period.

We have a diversified multi-channel sales network in the PRC consisting of both online and offline sales channels. Our online sales channels include popular online shopping platforms in the PRC such as JD.com, Tmall.com and VIP.com. We sell our products to e-commerce companies, which would on-sell our products on online shopping platforms to their customers, while we also sell our products through online shopping platforms to our customers. Apart from online sales channels, we also sell our products offline to regional distributors, which distribute our products principally to pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors. According to Frost & Sullivan, adopting a multi-channel sales network as mentioned above that involves both online and offline sales channels for selling and distributing products is a common practice and norm in the nutritional product industry in the PRC.

Upon receipt of purchase orders from our customers, our logistics department coordinates and arranges for the delivery of products to the designated locations of our customers. While our logistics staff deliver our products directly to our customers within Shanghai, we arrange for delivery of products through express delivery to customers in other areas of the PRC. For sales

to some e-commerce companies, the finished products processed overseas are delivered to the airports in the PRC designated by our e-commerce companies, and our Group is not responsible for the delivery to any bonded warehouse nor handling any customs clearance.

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

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Online sales channels:										
Direct sales to e-commerce companies	166,135	49.2	194,838	53.1	236,930	55.6	106,176	55.3	95,092	65.1
Sales through online shopping platforms to our customers	50,312	14.9	48,347	13.2	56,467	13.2	23,593	12.3	15,305	10.5
Others *(Note)*	—	—	—	—	18,130	4.3	2,604	1.3	7,453	5.1
Sub-total	216,447	64.1	243,185	66.3	311,527	73.0	132,373	68.9	117,850	80.7
Offline sales channels:										
Sales to regional distributors	115,665	34.3	114,759	31.2	108,523	25.4	53,735	28.0	26,413	18.1
Others *(Note)*	5,496	1.6	9,353	2.5	6,495	1.5	5,968	3.1	1,823	1.2
Sub-total	121,161	35.9	124,112	33.7	115,018	27.0	59,703	31.1	28,236	19.3
Total revenue	**337,608**	**100.0**	**367,297**	**100.0**	**426,545**	**100.0**	**192,076**	**100.0**	**146,086**	**100.0**

Note: Others include direct sales to retail outlets and miscellaneous sales.

For FY2021, FY2022, FY2023, 6M2023 and 6M2024, the majority of our revenue was derived from (i) sales attributable to online sales channels (including direct sales to e-commerce companies and sales through online shopping platforms to our customers), such revenue amounted to approximately RMB216.4 million, RMB243.2 million, RMB311.5 million, RMB132.4 million and RMB117.9 million, respectively, representing approximately 64.1%, 66.3%, 73.1%, 68.9% and 80.7% of our total revenue, respectively; and (ii) sales to regional distributors, such revenue amounted to approximately RMB115.7 million, RMB114.8 million, RMB108.5 million, RMB53.7 million and RMB26.4 million, respectively, accounting for approximately 34.3%, 31.2%, 25.4%, 28.0% and 18.0% of our total revenue, respectively. Our regional distributors distribute our products principally to pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors, and we have no direct contractual relationship with any of them.

For details of our accounting policy on revenue recognition under each of the sales channels, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Revenue — Revenue recognition under each of the sales channels" in this document.

(i) Online sales channels

Since 2011, we have been selling our products on online shopping platforms. We sell our products to e-commerce companies, which would on-sell our products on online shopping platforms to their customers, while we also sell our products through online shopping platforms to our customers. During FY2021, FY2022, FY2023 and 6M2024, we sold our products to 19, 18, 18 and 13 e-commerce companies, respectively. During FY2021, FY2022, FY2023 and 6M2024, we sold our products mainly through two, three, four and four online shopping platforms to our customers, respectively. We periodically review the performance of online shopping platforms to decide whether to retain them. Leveraging the rapid development of e-commerce in the PRC as well as the extensive coverage and convenience of the internet, our Directors believe that online sales channels are cost-effective and efficient sales channels that enable our products to reach and build up a large customer base.

We adopt the business strategy of selling our nutritional products to and through e-commerce companies despite the online shopping platforms are operated by the same group of e-commence companies (e.g. Customer A and Customer B). Our Directors are of the view that such business strategy of direct sales to e-commerce companies is compatible with that of our sales through online shopping platforms operated by the same e-commerce companies. According to the Frost & Sullivan Report:

- **Increase our brand exposure.** Selling directly to the e-commerce companies while also being featured on their online shopping platforms can increase overall brand visibility, making it easier for end-customers to discover our brand.

- **Channel differentiation.** By having both channels, our Group can target different target customer segments. Direct sales to e-commerce companies can focus on bulk orders, while sales through online shopping platforms can cater to individual consumers. This differentiation allows both channels to coexist without direct competition necessarily.

- **Unified brand messaging.** Selling at both channels can help our Group maintain consistent branding across all channels, reinforcing our brand identity whether the end-customers buy directly from the e-commerce companies or from us through online shopping platforms.

- **Unique offerings.** By having both channels, our Group can make unique offerings at different channels. For instance, our sales through online shopping platforms can include exclusive sales packages or offers that suit individual customers and differentiate from that sold by the e-commerce companies, thereby attracting a wider audience.

- **Cross-channel analytics.** Selling at both channels can enable our Group to analyse and identify recent market trends and formulate marketing strategies across all channels.

(a) Direct sales to e-commerce companies

We sell our products directly to e-commerce companies, which are regarded as our customers, and they would on-sell our products through online shopping platforms to their customers. Our e-commerce customers include mainly (i) e-commerce companies (such as Customer A and Customer B) which conduct business-to-commercial sales via their own e-commerce sales platforms as well as allowing third parties (such as our Group) to conduct business-to-commercial sales via their e-commerce sales platforms; and (ii) e-commerce companies (such as Customer D) only conduct business-to-commercial sales at third party e-commerce sales platforms.

We arrange to deliver our products to the locations designated by the e-commerce companies. In particular, during the Track Record Period, our U.S. DHA Products were sold to e-commerce companies and were delivered to the airports in the PRC designated by the e-commerce companies, and our Group was not responsible for the delivery of our products to any bonded warehouse nor handling any customs clearance. Our products are generally sold to the e-commerce companies at a price leaving moderate level of profit margin to them.

The respective framework sale and purchase agreements between the e-commerce companies and us set out the framework of our cooperation. We may enter into framework sale and purchase agreements with various subsidiaries of an e-commerce company for the sales of our products on different online shopping platforms maintained by them.

The following sets out the principal terms of the framework sale and purchase agreements with the e-commerce companies:

Duration	Typically one year
Minimum purchase requirement	Nil
Sales target	Nil
Gross profit margin guarantee	(for Customer A and Customer B only) We provide gross profit margin guarantee to the e-commerce companies ranging from 5% to 20%, which our Group agrees to reimburse the said customers margins being the difference of a calculated monthly gross profit and the said customers' actual gross profit.
Pricing	The price of the products shall be agreed by the parties
Payment method and credit terms	Bank transfer with a credit term of typically 7 days after the issue of invoice

Product quality requirements

The main requirements include:

(i) products and their packaging should be safe and in compliance with the standards of the industry and the relevant PRC laws and regulations;

(ii) (for Customer A only) products should be manufactured within six months before delivery;

(iii) upon delivery, the products shall not have passed more than one-third or half of their shelf life; and

(iv) products should be properly packaged and labelled, and suitable for delivery and sales.

Products return arrangement

Generally, we only accept return of products with quality issues. However, for Customer A and Customer B only, there are boiler-plate provisions enabling the e-commerce companies to return products (including dead stock) upon request of the e-commerce companies.

Conditions for terminating and renewing the agreements

- 30 to 90 days' written notice
- Automatic renewal for 90 days to a year after expiry of the agreement
- The e-commerce companies generally have the right to terminate the agreements in certain circumstances, including:

  (i) our Group supplies fake, smuggled, flawed or parallel import products, products that infringe other's rights or products recognised as non-compliant under the contract;

  (ii) our Group ceases to supply products without any valid reason;

  (iii) our Group is involved in commercial bribery, major lawsuits or significant negative news coverage;

  (iv) our Group transfers the rights and obligations under the contract to a third party without their approval; or

  (v) force majeure events.

Although we have the contractual obligation to accept product returns from the e-commerce companies pursuant to the above terms, we believe that the risk of having artificially inflated sales which are not substantiated by actual demands from ultimate end customers and the risk of having excessive inventories stocked in the operator's warehouse is minimal because:

1. To the best of our Directors' knowledge, the e-commerce companies usually place orders with us only when the quantity of products at their warehouse is insufficient to satisfy the forecast demands from their customers. Moreover, to the best of our Directors' knowledge, the customers of the e-commerce companies are mainly individual customers. Therefore, our products usually quickly reach the end customers after the e-commerce companies have purchased from us, without being stuffed in their warehouses for a prolonged period;

2. The e-commerce companies, which are our direct customers, are generally popular online shopping platforms, and some of their holding companies are listed on NASDAQ Stock Market in the U.S. and/or the Stock Exchange. For instance, the holding company of Customer A is a company listed on the NASDAQ Stock Market in the U.S. and the Stock Exchange, and is a leading technology-driven e-commerce company and cloud infrastructure service provider in the PRC. The primary business model of such e-commerce companies is online direct retail sales, where the e-commerce companies acquire products from suppliers and sell them directly to their customers primarily through their websites and mobile Apps. We believe such e-commerce companies are able to analyse consumers' demand and buying habits and to adopt appropriate marketing strategies and sophisticated inventory management; and

3. Despite the product return provisions in our framework sale and purchase agreements with the e-commerce companies, we have not received any reporting of significant amount of product returns during the Track Record Period. In some cases, as the end customers enjoy the right to return products to the e-commerce companies without stating any reason within seven days of purchase pursuant to the Law of the PRC on the Protection of Consumers' Rights and Interests (《中華人民共和國消費者權益保護法》), such products might be returned by the e-commerce companies to us since they do not re-sell returned goods to end customers. The percentage of sales returns from the e-commerce companies to our total sales to the e-commerce companies was less than 2.4% for each of FY2021 and FY2022, FY2023 and 6M2024.

(b) Sales through online shopping platforms to our customers

We also sell our products through online shopping platforms to our customers. During the Track Record Period, the online shopping platforms through which a substantial portion of our revenue was derived from included Taobao, Douyin and JD.com. The e-commerce companies, which are the operators of online shopping platforms, provide us the network web space for launching our online stores at their platforms, technical support and software system, and generally charge us an annual fee and technical service fee amounting to a certain percentage over sales proceeds or the transaction amount recorded in the payment system from our customers. The following sets out the typical terms of our cooperation agreements with the e-commerce companies:

Duration	Generally one year
Service provided	The operators usually provide software services in relation to internet information services, including the software system for searching commodities, creating orders, managing transactions and completing payment. They would also display information of our products through their web pages and provide a platform where we can conduct transactions and communicate with our customers.
Service fee	An annual fee plus a real-time debit, which is the technical service fee calculated based on the transaction amount recorded in the payment system.
Termination	In general, each party may terminate the agreement by giving prior written notice (usually 15 or 30 days). The agreement may also be terminated: — if there is a breach of the agreement on our part to the extent that the cooperation must be terminated as agreed therein or we fail to rectify such breach after being notified by the e-commerce companies within reasonable period for rectification; — if we are no longer a legal entity; or — if we fail to log into our service account for a significant period.

We are responsible for uploading our product information onto the online stores and maintaining the web pages of our online stores. We also provide customer services and after-sales services to our customers through the online shopping platforms. Our customers make payments through the electronic settlement services provided by the operators upon

placing an order. We will then arrange for the delivery of the products to our customers. The sales proceeds net the operators' service fees will be remitted to us promptly. A "regional distributor service fee" may be paid to the relevant regional distributors engaged for the region in which such customers are located to compensate their advertising and marketing efforts in such regions. Such fee is generally calculated with reference to the sales proceeds deducting our service fee, transportation cost, commission and promotional fees paid to the platform operators, cost of the products and the discount rate offered to such distributors.

(ii) Regional Distributors

As at the Latest Practicable Date, we had a total of 17 regional distributors in the PRC, which then distributed our products to pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors. We consider regional distributors to be our direct customers. Our regional distributors are private companies based in the PRC and are principally engaged in the sales and distribution of maternal and children products.

Our regional distributors can be divided into three types, namely (i) Type A regional distributors which we expect to have relatively higher sales capabilities and are authorised to promote and distribute our products exclusively but only in their designated distribution regions which are generally first, new first and second-tier cities in the PRC; (ii) Type B regional distributors which we expect to have moderate sales capabilities and are authorised to promote and distribute our products only in their designated distribution regions which are mainly second and third-tier cities in the PRC; and (iii) Type C regional distributors which are authorised to promote and distribute our products in all regions in the PRC except the regions designated to Type A regional distributors. Our distributors distribute our products principally to pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors. We do not prohibit our distributors to engage sub-distributors to sell our products. Based on the sales reports provided by our five largest regional distributors for each year/period during the Track Record Period, save for Beijing Aomei Xingchen, none of those five largest regional distributors engaged sub-distributors to distribute our products during the Track Record Period.

The following table sets forth the breakdown of our revenue from regional distributors by city tiers during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
First-tier	52,090	45.0	67,293	56.8	54,352	50.1	28,845	53.7	14,284	54.1
New first-tier	42,916	37.1	31,668	27.6	37,612	34.7	16,741	31.2	8,575	32.5
Second-tier	18,841	16.3	14,680	12.8	14,299	13.2	7,260	13.5	3,145	11.9
Third-tier or below	1,818	1.6	1,118	1.0	2,260	2.0	889	1.6	409	1.5
Total revenue from regional distributors	**115,665**	**100.0**	**114,759**	**100.0**	**108,523**	**100.0**	**53,735**	**100.0**	**26,413**	**100.0**

During the Track Record Period, all of our revenue generated from our regional distributors was from those with recurring orders. Sales are regarded as recurring in nature if the regional distributor concerned purchased more than once from us since the commencement of our business relationships and up to the Latest Practicable Date.

We adopt a regional distributorship model because our Directors believe that this is a cost-effective and common practice in the industry to sell our products to a wider customer base and diversified geographical markets. In particular, our Type A regional distributors are generally expected to have stronger sales capabilities and are relatively more experienced in the nutritional product industry. By engaging them to promote and distribute our products, we can focus our resources on our brand development and managing different distribution channels. We started to engage Type B regional distributors since early 2017 to distribute our products with an aim to penetrate into less developed regions which cannot be covered by the distribution networks of Type A regional distributors. Since 2020, we engaged Shanghai Yicunxin as a Type C regional distributor. Pursuant to our distribution agreements with Shanghai Yicunxin, Shanghai Yicunxin is allowed to market and distribute our products in all regions in the PRC except the regions designated to Type A regional distributors.

As at 30 June 2024, we engaged 11 Type A regional distributors, four Type B regional distributors and two Type C regional distributors to sell our products.

The table below shows the movements in the number and turnover rate of our regional distributors for the following years/periods:

	FY2021	FY2022	FY2023	6M2024	Subsequent to the Track Record Period and up to the Latest Practicable Date
Number of regional distributors at the beginning of the year/period	32	28	29	26	17
Addition of new regional distributors during the year/period	2	4	4	—	—
Number of regional distributors terminated or not renewed during the year/period	(6)	(3)	(7)	(9)	—
Number of regional distributors at the end of the year/period	28	29	26	17	17
Turnover rate of regional distributors *(Note)*	18.8%	10.7%	24.1%	34.6%	—

Note: Number of regional distributors terminated or not renewed as a percentage of number of regional distributors at the beginning of the year/period. According to the Frost & Sullivan Report, the 2023 market turnover rate of regional distributors in the PRC was generally 20%–40% and the turnover rate of our regional distributors in FY2023 is within the industry range.

We review our regional distributors' performance annually, and we formulate annual sales target with them on an individual basis after taking into account their respective sales level in the prior year and their sales capability with reference to their scale of operations. During FY2021, FY2022, FY2023 and 6M2024, we did not renew or we terminated the engagement of six, three, seven and nine regional distributors, and the reason for non-renewal or termination was mainly because we found their sales performance not satisfactory for a prolonged period and we did not foresee any improvement of their sales performance in near future.

We require our Type A and Type B regional distributors to make upfront payments before delivery of products to them, while we bill our Type C regional distributors on a monthly basis or require our Type C regional distributors to make upfront payments before delivery of products to it. We recognise our revenue when we delivered the products to our regional distributors, which indicated the risks of and titles to the products have been passed. According to the distribution agreements we entered into with our regional distributors, we set a reference retail price for each of our products as pricing guideline and our regional distributors have no right to return our products to us except when the products or packagings are defective in quality or upon termination of the distribution agreements. Within 30 days after the termination of a distribution agreement, if not more than half of the shelf life of the unsold products has passed, our regional distributors generally can return such products to us and we will refund the purchase price of such products to our regional distributors. Such product return policy is in line with the industry practice, according to Frost & Sullivan. The amount of return from sales to regional distributors for each of FY2021, FY2022, FY2023 and 6M2024 was not more than approximately 2.0% of our total sales to regional distributors, respectively.

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, we had 28, 29, 26 and 17 regional distributors, respectively. To the best knowledge of our Directors, among these regional distributors, six groups involving 11 regional distributors (the "**Regional Distributors with Overlapping Personnel**") have common shareholders, directors or senior management members with other regional distributors of our Group during the Track Record Period. For FY2021, FY2022, FY2023 and 6M2024, our revenue from sales to the Regional Distributors with Overlapping Personnel amounted to approximately RMB27.8 million, RMB23.0 million, RMB17.7 million and RMB2.8 million, respectively, representing approximately 8.2%, 6.3%, 4.1% and 1.9% of our total revenue for the corresponding years/period. To the best knowledge of our Directors, the reasons for the stakeholders of the Regional Distributors with Overlapping Personnel to use different companies to transact with us mainly because our regional distributors are restricted under the distribution agreements to distribute our products in their respective designated distribution region only, and our regional distributors are liable to our Group for Unauthorised Distribution committed by their sub-distributors. If the stakeholders want to distribute our products in other regions, they need to incorporate companies in those regions and re-negotiate with us to sign distribution agreements with us.

Selection of regional distributors

We meet with potential new distributors by participating in trade fairs and industry events for buyers, manufacturers, distributors and suppliers in the maternal and children nutritional product industry all over the world. For instance, July 2021 and June 2023, we participated as an exhibitor by setting up our booth in the 21st and 22nd Children Baby Maternity Expo (第21及22屆CBME孕嬰童展) in Shanghai, which are among the world's largest trade fairs for child, baby and maternity products and services.

Since we distribute our products through regional distributors, in order to maintain an effective distribution network, we adopted an internal selection policy when selecting our regional distributors. We consider the background and credentials of each potential regional distributor and select them based on various factors including their scale of operation, strategy and compatibility with our brands, number of downstream sales channels, growth capability, target customers, market influence and competitiveness in local market, credit worthiness and logistics capabilities.

Management of and control over our regional distributors

We impose various control measures over our regional distributors. For instance, we have designated a geographical area to each regional distributor and prohibit them from conducting sales online. During the Track Record Period, among our Type A regional distributors and Type B regional distributors, we generally maintained a single regional distributor covering each city or region to manage any potential competition amongst our regional distributors. Our regional distributors are authorised to sell our products within their respective authorised distribution region only, and are not authorised to sell our products outside their authorised distribution regions. Our regional distributors are also generally not allowed to sell and distribute other products which are the same as, similar to or in competition with our products within their authorised distribution regions.

Pursuant to our distribution agreements with the regional distributors, our Group is entitled to exercise certain control over our regional distributors, which include restrictions on permitted sales channels and types of products to be sold, prescribed geographical territory and reference retail price as guidance. We conduct ad hoc checks over our regional distributors to assess their compliance with our distribution agreements with them.

To enhance our customers' knowledge of our products and to better understand their needs and preferences to improve our products and services, our sales and marketing department provides product training to our regional distributors and handles their enquiries, suggestions and complaints. We also visit and communicate with retail outlets from time to time in order to gather market information and understand the demands of our customers.

To ensure our sales to our regional distributors reflect genuine market demand and mitigate the risk of cannibalisation among our regional distributors, we have adopted certain measures, the details of which are set out in the paragraph headed "Measures to mitigate the risk of cannibalisation — Mitigation of the risk of cannibalisation among regional distributors" below.

Control over sub-distributors

We do not prohibit our distributors to engage sub-distributors to sell our products. Based on the sales reports provided by our five largest regional distributors for each year/period during the Track Record Period, save for Beijing Aomei Xingchen, none of those five largest regional distributors engaged sub-distributors to distribute our products during the Track Record Period. We do not have any direct contractual relationship with the downstream sub-distributors of our regional distributors. However, our regional distributors are obliged to ensure the compliance of their downstream sub-distributors with the obligations under the distribution agreements with us. We conduct ad hoc checking on the internet and at retail stores over the distribution of our products in the PRC, and if we discover any non-compliance, the defaulting regional distributors shall be responsible and shall be subject to penalties. We also encourage our regional distributors to report Unauthorised Distribution by other regional distributors.

According to our distribution agreements with the regional distributors, we reserve our right to request our regional distributors to provide us with a report on their sales results and market promotion at least once a month.

We have measures to avoid inventory accumulation by the regional distributors. The title of our products are transferred to the regional distributors upon our delivery of products, and the amount of unsold inventory held by them is not verified by us. However, we monitor the purchase orders of our regional distributors and we hold discussions with our regional distributors when there is significant variation in their demands in order to better understand market demands for our products and to prevent artificial sales which are not supported by the ultimate end customers' demand. On the other hand, our Directors believe that our Type A and Type B regional distributors have no commercial rationale to accumulate inventory since (i) we generally require upfront payments for our products from Type A and Type B regional distributors before delivery of products and inventory accumulation may cause them cash flow pressure; (ii) any accumulation of inventory of our products by our Type A and Type B regional distributors would incur additional operating costs (such as warehousing and shelf-space fees); (iii) the regional distributors may return the products to our Group only when such products or packagings are defective in quality or upon termination of distribution agreement; (iv) given that our products typically have shelf lives of 24 to 36 months from the date of manufacturing, inventory accumulation may expose them to the risk of writing off expired inventories; and (v) the minimum purchase volume condition per purchase order is imposed only for the purpose of avoiding unnecessary transportation costs for tiny orders. According to the distribution agreements with our Type C regional distributors, we would arrange for the delivery of our products to their customers directly. Therefore, there is no risk of accumulation of inventory by the Type C regional distributors. Based on (i) the amount of return from sales to regional distributors for each of FY2021, FY2022, FY2023 and 6M2024 which was not more than approximately 2% of our total sales to regional distributors, respectively; (ii) the sales reports provided by our five largest regional distributors for each year/period during the Track Record Period in which their customers were mainly retail stores; and (iii) the average inventory turnover days at our regional distributors was less than 47 days for each year/period during the Track Record Period, our Directors are of the view that there are genuine demands from regional distributors for our products and that the likelihood of inventory accumulation by our regional distributors is minimal.

In respect of our Type A regional distributors, considering that they are authorised to promote and distribute our products exclusively in their designated distribution regions, we would pay compensation to our Type A regional distributors in respect of our sales through online shopping platforms to our customers in the designated distribution regions of the relevant Type A regional distributors.

Distribution agreements

We generally enter into framework distribution agreements with our distributors under which our regional distributors make purchases on a per-order basis. The principal terms of the distribution agreements are summarised as follows:

<table>
<tr><th></th><th>Type A regional distributors</th><th>Type B regional distributors</th><th>Type C regional distributors</th></tr>
<tr><td>Duration</td><td colspan="3">• Approximately 12 months</td></tr>
<tr><td rowspan="2">Geographic or other exclusivity</td><td>• Geographically exclusive within an authorised distribution region</td><td>• Generally only one regional distributor within a region</td><td>• All regions in the PRC except the regions designated to Type A regional distributors

• Regions designated to Type B regional distributors with our consent (Note 1)</td></tr>
<tr><td colspan="3">• The regional distributor is generally not allowed to sell and distribute other products which are the same as, similar to or in competition with our products.</td></tr>
<tr><td>Rights and obligations of the parties</td><td colspan="3">• The regional distributor is obliged to sell and promote our products within the authorised distribution region in accordance with the terms of the agreement.

• Our Group is responsible for delivering quality products and handling complaints on product quality.</td></tr>
<tr><td>Sales and pricing policies</td><td colspan="3">• The regional distributor has discretion in deciding its downstream sales and distribution channels, save that it is not allowed to sell our products online.

• Fixed selling price for sales to the regional distributor and reference retail price as pricing guideline for sales to retail customers</td></tr>
<tr><td>Products return arrangements</td><td colspan="3">• Upon delivery, the regional distributor should examine the type, quantity, quality and packaging of our products and inform us of any defects immediately, followed by written notice within three or five days. If there is any defect of products, we will arrange for return of products.

• If we acknowledge any complaint from the regional distributor or its customers on product quality, we will arrange for return of products.</td></tr>
<tr><td>Any minimum purchase volume</td><td colspan="2">• Our Group will not accept order unless certain minimum purchase volume is met.</td><td>• No minimum purchase volume</td></tr>
<tr><td>Payment and credit terms</td><td colspan="2">• Payment before delivery
• Security deposit has to be paid following the execution of the distribution agreement</td><td>• Monthly billing with credit terms of two months or payment before delivery</td></tr>
</table>

	Type A regional distributors	Type B regional distributors	Type C regional distributors
Sales targets	• Annual and quarterly sales targets • If the annual sales amount exceeds the annual sales target, the regional distributors would be entitled to a sales bonus. If the annual sales target is not met, we may levy penalties on the regional distributor. *(Note 2)*	• Average monthly sales target	• Annual sales target, which is much higher than those of other regional distributors • If the annual sales amount exceeds the annual sales target, the regional distributor would be entitled to certain sales rebate.
Sales reports	• We have the right to request reports from the regional distributor on its sales results and market promotion at least once a month to monitor its sales performance.		
Right to terminate by the regional distributor	• If the market conditions are not satisfactory, subject to our approval, the regional distributor may terminate the agreement by one-month written notice.		
Right to terminate by us	• By one-month written notice • If the regional distributor fails to meet the sales target for a prolonged period of time.		
Right to terminate by both	• By mutual agreement • 30 days after a notice issued by the notifying party to the defaulted party for remedy of the default		
Right to renewal	• If either party does not wish to renew the agreement upon its expiry, it should notify the other party in writing 30 days before the expiry of the agreement.		

Notes:

(1) In 2020, when we entered into the distribution agreement with the Type C regional distributor, we invited our Type B regional distributors to declare the names of the retail stores to which they distributed our products. We would not give consent to the Type C regional distributor to market, sell or distribute our products to the retail stores declared as customers by our Type B regional distributors, unless such retail stores do not record any sales of our products for three consecutive months.

(2) For FY2021, FY2022, FY2023 and 6M2024, the aggregate amount of penalty levied on our regional distributors for failing to meet the annual sales targets was approximately RMB0.8 million, nil, RMB1.7 million and nil, respectively. Our management considered whether to charge the penalty on the regional distributors in accordance with the terms of the distribution agreements taking into account the deviation from the sales target, our business relationship with the regional distributor which fails to meet the sales target and any extraordinary factors affecting the sales of the regional distributor. For FY2022, some of our regional distributors failed to meet their annual sales targets. However, we did not charge the regional distributors the penalties having considered our relationship with the regional distributors and the then market conditions as affected by COVID-19.

Engaging Shanghai Yicunxin as our Type C regional distributor

Background of Shanghai Yicunxin and our Group

As disclosed above, during the Track Record Period, our Type A and Type B regional distributors mainly distributed and sold our products in first, new first and second-tier cities, such as Beijing, Chongqing, Jinan, Xi'an etc. Eyeing the potential in the market for nutritional supplements in the third and fourth-tier cities in the PRC, our Group would like to extend our distribution networks to cities that had not been covered by our Type A and Type B regional distributors. However, it would take time and costs to engage and manage new regional distributors if our Group is to engage separate regional distributors for each of the third and fourth-tier cities in the PRC. In April 2020, we engaged Shanghai Yicunxin as our Type C regional distributor, and some of our products were sold to the third and fourth-tier cities in the PRC by Shanghai Yicunxin during the Track Record Period.

The ultimate beneficial owner of Shanghai Yicunxin held interest in another PRC company, in which Far-East Fortune (being our Controlling Shareholder) was one of the founders with 25% equity interest but has disposed of such interest in October 2020.

Loan to Shanghai Yicunxin prior to the Track Record Period

Prior to the Track Record Period, our Group entered into a loan agreement with Shanghai Yicunxin, pursuant to which our Group agreed to grant a loan in the principal amount of RMB5 million to Shanghai Yicunxin for a period of nine months at an interest rate of 4.35% per annum. A total loan amounts of RMB2 million and RMB3 million were released by our Group to Shanghai Yicunxin in April 2020, and the principal was fully repaid on 31 December 2020. In view of the relatively short loan term (i.e. less than a year) and the satisfactory sales performance accomplished by Shanghai Yicunxin during the relevant, our Group agreed to waive the interest to be charged on the loan balance, pursuant to a supplemental agreement between our Group and Shanghai Yicunxin. As confirmed by our Directors, the above-mentioned loan was granted by our Group to facilitate the start-up of Shanghai Yicunxin having considered that Shanghai Yicunxin could distribute our products in the third and fourth-tier cities in the PRC.

Save for the former shareholding by Far-East Fortune as disclosed above, our loan to Shanghai Yicunxin (the details of which are disclosed below) and our business relationship with Shanghai Yicunxin as our Type C regional distributor, our Group, our Directors, our Controlling Shareholders and their respective associates have no other relationship with Shanghai Yicunxin, its shareholders, directors and their respective associates.

Reasons for different arrangement with Shanghai Yicunxin as our Type C regional distributor

We engaged Shanghai Yicunxin as our Type C regional distributor which had different arrangement for the following reasons:

- the objective of engaging Shanghai Yicunxin is to extend our distribution networks to cities (in particular, third and fourth-tier cities) that were not covered by Type A and Type B regional distributors. However, establishing and managing new regional distributors for each of these cities across the PRC would involve both time and costs. As our Group lacked existing distribution networks in these cities, the popularity and reputation of our products was generally lower in these areas. Furthermore, our Directors are of the view that the purchasing power of consumers in Shanghai Yicunxin's target markets is relatively lower. Consequently, Shanghai Yicunxin would need to spend greater efforts to promote our products. Imposing a minimum purchase volume might discourage Shanghai Yicunxin to cooperate with our Group;

- Shanghai Yicunxin sold and distributed our products to numerous cities in the PRC during the Track Record Period, and those cities are dispersed across the PRC. Moreover, the selling price to Shanghai Yicunxin is generally lower when compared to the Type A and Type B regional distributors. Our Directors are of the view that implementing direct delivery to Shanghai Yicunxin's customers can ensure that our products are delivered to the intended market, and effectively mitigate the risk of distribution in unauthorised regions by Shanghai Yicunxin; and

- our Directors believe that such arrangement would encourage and facilitate the promotion of the brands of our Group in the third and fourth-tier cities in the PRC, hence beneficial to the interest of our Group.

Our revenue from Shanghai Yicunxin during the Track Record Period

Our revenue from Shanghai Yicunxin amounted to approximately RMB38.2 million, RMB54.7 million, RMB42.3 million and RMB13.2 million for FY2021, FY2022, FY2023 and 6M2024, respectively, representing approximately 11.3%, 14.9%, 9.9% and 9.0% of our total revenue for the corresponding years/period, respectively. Despite Shanghai Yicunxin commenced business relationship with us in 2020, it has become our largest regional distributor during the Track Record Period mainly because Shanghai Yicunxin is a Type C regional distributor in which it is authorised by us to sell our products in all regions in the PRC (except the regions designated to our Type A regional distributors).

During the Track Record Period and up to the Latest Practicable Date, we have not identified any material non-compliance with the terms and conditions of our distribution agreements that was not rectified in a timely manner by our regional distributors.

Our five largest regional distributors

The tables below set out the details of our five largest regional distributors for each year/period during the Track Record Period:

FY2021

	Regional Distributor	Type of regional distributor	Principal business	Type of products purchased	Business relationship since	Credit term/ payment method	Our sales to the regional distributors for the year	
							(RMB'000)	*(% of our total revenue)*
1.	Shanghai Yicunxin	Type C regional distributor	A PRC company engaging in the distribution of nutritional products throughout the PRC	All of our nutritional products	2020	Two months/ bank transfer	38,205	11.3
2.	Chongqing Yinghaole Trading Co., Ltd.* (重慶嬰浩樂貿易有限公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Chongqing	All of our nutritional products	2007	Upfront payment/bank transfer	20,213	6.0
3.	Shanxi Xidi Trading Co., Ltd.* (陝西西地商貿有限責任公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Xi'an and Xianyang	All of our nutritional products	2007	Upfront payment/bank transfer	9,153	2.7
4.	Shandong Youjian Food Co., Ltd.* (山東優健食品有限公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Jinan	All of our nutritional products	2018	Upfront payment/bank transfer	8,134	2.4
5.	Beijing Aomei Xingchen	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Northeastern and North China	All of our nutritional products	2007	Upfront payment/bank transfer	5,715	1.7
						Five largest regional distributors in aggregate	**81,420**	**24.1**
						All other customers	256,188	75.9
						Total revenue	**337,608**	**100.0**

FY2022

	Regional Distributor	Type of regional distributor	Principal business	Type of products purchased	Business relationship since	Credit term/ payment method	Our sales to the regional distributors for the year	
							(RMB'000)	*(% of our total revenue)*
1.	Shanghai Yicunxin	Type C regional distributor	A PRC company engaging in the distribution of nutritional products throughout the PRC	All of our nutritional and milk powder products	2020	Two months/ bank transfer	54,662	14.9
2.	Chongqing Yinghaole Trading Co., Ltd.* (重慶嬰浩樂貿易有限公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Chongqing	All of our nutritional and milk powder products	2007	Upfront payment/bank transfer	11,193	3.0
3.	Shanxi Xidi Trading Co., Ltd.* (陝西西地商貿有限責任公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Xi'an and Xianyang	All of our nutritional and milk powder products	2007	Upfront payment/bank transfer	8,164	2.2
4.	Shandong Youjian Food Co., Ltd.* (山東優健食品有限公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Jinan	All of our nutritional and milk powder products	2018	Upfront payment/bank transfer	5,405	1.5
5.	Shanxi Qianbairun Pharmaceutical Co., Ltd.* (山西乾佰潤醫藥有限公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Taiyuan	All of our nutritional and milk powder products	2014	Upfront payment/bank transfer	4,371	1.2
						Five largest regional distributors in aggregate	**83,795**	**22.8**
						All other customers	283,502	77.2
						Total revenue	**367,297**	**100.0**

FY2023

	Regional Distributor	Type of regional distributor	Principal business	Type of products purchased	Business relationship since	Credit term/ payment method	Our sales to the regional distributors for the year	
							(RMB'000)	*(% of our total revenue)*
1.	Shanghai Yicunxin	Type C regional distributor	A PRC company engaging in the distribution of nutritional products throughout the PRC	All of our nutritional and milk powder products	2020	Two months/ bank transfer	42,276	9.9
2.	Chongqing Yinghaole Trading Co., Ltd.* (重慶嬰浩樂貿易有限公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Chongqing	All of our nutritional and milk powder products	2007	Upfront payment/bank transfer	14,835	3.5
3.	Shanxi Xidi Trading Co., Ltd.* (陝西西地商貿有限責任公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Xi'an and Xianyang	All of our nutritional products	2007	Upfront payment/bank transfer	8,366	2.0
4.	Shanxi Qianbairun Pharmaceutical Co., Ltd.* (山西乾佰潤醫藥有限公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Taiyuan	All of our nutritional products	2014	Upfront payment/bank transfer	5,637	1.3
5.	Beijing Aomei Xingchen	Type A regional distributor	PRC company engaging in the distribution of nutritional products in Northeastern and North China	All of our nutritional products and milk powder products	2007	Upfront payment/bank transfer	5,574	1.3
						Five largest regional distributors in aggregate	**76,688**	**18.0**
						All other customers	349,857	82.0
						Total revenue	**426,545**	**100.0**

6M2024

	Regional Distributor	Type of regional distributor	Principal business	Type of products purchased	Business relationship since	Credit term/ payment method	Our sales to the regional distributors for the period	
							(RMB'000)	*(% of our total revenue)*
1.	Shanghai Yicunxin	Type C regional distributor	A PRC company engaging in the distribution of nutritional products throughout the PRC	All of our nutritional and milk powder products	2020	Two months/ bank transfer	13,169	9.0
2.	Chongqing Yinghaole Trading Co., Ltd.* (重慶嬰浩樂貿易有限公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Chongqing	All of our nutritional products	2007	Upfront payment/bank transfer	2,841	1.9
3.	Hunan NiceLife Health Technology Co., Ltd.* (湖南奈斯奈芙健康科技有限公司)	Type C regional distributor	A PRC company engaging in the distribution of nutritional products throughout the PRC	All of our nutritional products	2023	Upfront payment/bank transfer	2,708	1.9
4.	Shanxi Qianbairun Pharmaceutical Co., Ltd.* (山西乾佰潤醫藥有限公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Taiyuan	All of our nutritional products	2014	Upfront payment/bank transfer	1,275	0.9
5.	Shandong Youjian Food Co., Ltd.* (山東優健食品有限公司)	Type A regional distributor	A PRC company engaging in the distribution of nutritional products in Jinan	All of our nutritional products	2018	Upfront payment/bank transfer	1,241	0.8
						Five largest regional distributors in aggregate	**21,234**	**14.5**
						All other customers	124,852	85.5
						Total revenue	**146,086**	**100.0**

Relationship with our regional distributors

Our relationship with our regional distributors is that as seller and buyer and not as principal and agent as we do not control the actual business operations of our regional distributors other than the contractual obligations stipulated in the distribution agreements. Save for product liability, all significant risks and rewards of ownership of our products are transferred to our regional distributors upon delivery of our products, at which point we recognise our revenue.

To the best of the knowledge of our Directors, (i) save for the relationship with Shanghai Yicunxin and Hunan NiceLife Health Technology Co., Ltd.* (湖南奈斯奈芙健康科技有限公司) as disclosed below, all of our regional distributors during the Track Record Period were independent third parties; (ii) none of them was wholly-owned or majority controlled by our current or former employees; (iii) none of them was our supplier during the Track Record Period; (iv) none of them had traded under or used our brands during the Track Record Period save for the marketing, sales and distribution of our branded products; and (v) apart from a loan of RMB5.0 million to Shanghai Yicunxin during the year ended 31 December 2020, which was fully repaid in the same year, none of them had received any material advance or financial assistance from our Group during the Track Record Period.

The ultimate beneficial owner of Shanghai Yicunxin held interest in another PRC company, in which Far-East Fortune (being our Controlling Shareholder) was one of the founders with 25% equity interest but has disposed of such interest in October 2020. For details, please refer to the paragraph headed "Sales and distribution — (ii) Regional distributors — Engaging Shanghai Yicunxin as our Type C regional distributor" in this section.

An ultimate beneficial owner directly and indirectly holding 38% equity interest in Hunan NiceLife Health Technology Co., Ltd.* (湖南奈斯奈芙健康科技有限公司) was a former employee of our Group.

We believe that our distribution network is not easily replicable because it is achieved through a long-term process of searching for, identifying, negotiating with, selecting and managing qualified regional distributors in different regions across the country. Our sales mechanism also requires a highly effective internal management system to control and support our distribution network. Over the years, we have also developed pricing strategies to incentivise our regional distributors with moderate level of profit margins.

MEASURES TO MITIGATE THE RISK OF CANNIBALISATION

Our products are sold through various sales channels so as to reach our consumers in different geographic locations in the PRC and on different platforms in a cost-effective manner. We adopt several measures to mitigate the risk of cannibalisation within and across our sales channels.

Mitigation of the risk of cannibalisation among regional distributors

To ensure our sales to our regional distributors reflect genuine market demand and to mitigate the risk of cannibalisation among our regional distributors, we have adopted the following measures:

(a) our regional distributors are restricted under the distribution agreements to distribute our products in their respective designated distribution region only. During the Track Record Period, for our Type A regional distributors and Type B regional distributors, we generally maintained a single distributor covering each city or region to manage any potential competition amongst our regional distributors;

(b) pursuant to the distribution agreements between our regional distributors and us, we prohibit our regional distributors to engage in online sales to distribute our products;

(c) in 2020, when we entered into the distribution agreement with the Type C regional distributor, we invited our Type B regional distributors to declare the names of the retail stores to which they distributed our products. We would not give consent to the Type C regional distributor to market, sell or distribute our products to the retail stores declared as customers by our Type B regional distributors, unless such retail stores do not record any sales of our products for three consecutive months;

(d) we conduct ad hoc checking on the internet and at retail stores to identify Unauthorised Distribution by our regional distributors. We also encourage our regional distributors to report Unauthorised Distribution by other regional distributors;

(e) if we discover that a regional distributor has conducted Unauthorised Distribution, we have the right to repurchase the products from the market and levy penalties on that regional distributor, to suspend our delivery of products to that regional distributor, or to terminate the distributorship in case of repeated and serious breaches. The amount of penalties shall include (i) the repurchase price of the products identified and repurchased, (ii) the related transportation costs for repurchasing the products from the market; and (iii) fines, while the repurchase price and fines are subject to increment, in case of repeated breaches identified within the same year. For each of FY2021, FY2022, FY2023 and 6M2024, the sum of penalties levied on our regional distributors in relation to the Unauthorised Distribution during the relevant periods were approximately RMB352,000, RMB374,000, RMB164,000 and RMB205,000, respectively.

   For each of FY2021, FY2022, FY2023 and 6M2024, the total amounts of penalties levied by us on our regional distributors over the amounts of our total sales to our regional distributors are not constant because:

   1. the related transportation costs for repurchasing the products from the market vary depending on the transportation distance and location of the relevant market;

2. there is a timing difference between the sales to our regional distributors and the repurchase of the products and levying of penalties; and

3. the repurchase price of the products and fines are subject to increments in case of repeated breaches identified within the same year.

(f) we set the reference retail price of our products as pricing guideline for our regional distributors;

(g) we have clear products return policy, pursuant to which regional distributors shall only be entitled to return our products when the products or packagings are defective in quality or upon termination of the distribution agreements where not more than half of the shelf life of the unsold products has passed;

(h) we keep track of any potential competition among our regional distributors by communicating with them from time to time; and

(i) in order to mitigate the cannibalisation risk that our regional distributor sells our products to a sub-distributor in a region which overlaps with another existing regional distributor of ours, we have adopted the following measures:

- under the distribution agreements, our regional distributors, whether by themselves or their sub-distributor, are prohibited to distribute our products outside their respective designated distribution region;

- our products are printed with a regional code to identify the designated area for sale, which enables us to track Unauthorised Distribution by the sub-distributor; and

- under the distribution agreements, our regional distributors are also liable to our Group for Unauthorised Distribution committed by their sub-distributors.

Mitigation of the risk of cannibalisation among different sales channels

According to Frost & Sullivan, maternal and children nutritional product companies often engage distributors for the distribution of their products due to the vast territory in the PRC while some companies also sell their products directly through both online and offline channels.

In line with the market practice in the industry, we sell our products through various sales channels to cater for consumers with different spending behaviours and to strengthen our brand recognition. Our Directors believe that the cannibalisation across different sales channels is contained through our control measures. For example, our regional distributors are not allowed to sell our products online to avoid competition with our online sales channels. We evaluate the sales performance of our different sales channels to assess the market demands and spending behaviour of our consumers, and monitor if there is any sign of cannibalisation.

In addition, we adopted the following measures to avoid overlapping of customers of our regional distributors. For example, our regional distributors are restricted under the distribution agreements to distribute our products in their respective designated distribution region only, and our regional distributors are liable to our Group for Unauthorised Distribution committed by their sub-distributors. During the Track Record Period, for our Type A regional distributors and Type B regional distributors, we generally maintained a single distributor covering each city or region to manage any potential competition amongst our regional distributors. In addition, our sales personnel routinely requests and reviews the sales reports from the regional distributors.

Our Directors believe that all the above measures are effective in mitigating the risk of inventory accumulation by our regional distributors and cannibalisation among regional distributors within the same sales channel and among different sales channels. With our cannibalisation strategies, our Directors were not aware of, and believe that there would not be, any material accumulation of our products by us or by our regional distributors that had or would have any material adverse impact on our business, financial conditions or results of operations during the Track Record Period and in the future, respectively.

Internal control measures to avoid channel stuffing risk

We have adopted several internal control measures to prevent channel stuffing, which primarily include (a) for sales to e-commerce companies, our sales personnel would from time to time and no less than bi-annually contact the e-commerce companies to check for any irregular sales orders (such as repeated or substantial orders) placed by any individual online purchaser; (b) for sales through e-commerce companies, our sales personnel would regularly obtain and review the sales reports from the e-commerce companies; and (c) for sales to regional distributors, our sales personnel routinely requests sales reports from the regional distributors from time to time and no less than bi-annually to verify the following: (i) the quantity of products sold by our Group; (ii) the quantity of products sold by regional distributors to their retail customers or sub-distributors (if applicable); and (iii) the inventory levels of products held by the regional distributors as at each quarter and in case of any significant discrepancies between the quantity of products held by the regional distributors and our sales volume to them, our sales personnel would investigate the reasons thereof and clarify with the relevant regional distributors. Furthermore, leveraging the retail customer data provided in the sales reports from regional distributors, we conduct ad hoc site visits to retail outlets to validate the availability of our products for sale and to identify any unauthorised distribution activities conducted by the regional distributors.

Our Directors are of the view that the risk of channel stuffing is low during the Track Record Period, having considered:

(a) the average inventory turnover days at our regional distributors was less than 47 days for each year/period during the Track Record Period; and

(b) in respect of e-commerce companies:

(i) we monitor the information about the inventory turnover days of our products from the back-end database of the e-commerce companies. For instance, the average inventory turnover days at major e-commerce company customers was generally less than 60 days; and

(ii) under our framework sale and purchase agreement with Customer A and Customer B, they can return our products (including dead stock) to us upon request. As such, there is no commercial rationale for Customer A and Customer B to engage in channel stuffing of our products. Customer A and Customer B are our major e-commerce company customers which contributed a substantial portion of our revenue from sales to e-commerce companies during the Track Record Period. For FY2021, FY2022, FY2023 and 6M2024, the aggregate revenue from Customer A and Customer B constituted approximately 89.8%, 80.5%, 75.8% and 74.9% of our revenue from sales to e-commerce companies, respectively.

OUR CUSTOMERS

During the Track Record Period, our products were generally distributed in the PRC and we mainly sold our products to e-commerce companies, regional distributors as well as customers through online shopping platforms. According to the best understanding of our Company, our regional distributors distribute our products to pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors, whereas e-commerce companies sell our products to their customers. During the Track Record Period, a majority of our sales were made to e-commerce companies and regional distributors. We have maintained long business relationship with our five largest customers for each year/period during the Track Record Period ranging from three to 16 years.

For FY2021, FY2022, FY2023 and 6M2024, revenue from our five largest customers for each year/period during the Track Record Period accounted for approximately 64.2%, 68.3%, 65.6% and 74.4% of our total revenue, respectively, and our revenue from our largest customer for each year/period during the Track Record Period accounted for approximately 22.6%, 28.4%, 32.2% and 34.2% of our total revenue, respectively.

The following table sets out the details of our five largest customers for each year/period during the Track Record Period:

FY2021

	Customer	Principal business	Types of products purchased	Business relationship since	Credit term/payment method	Our sales to the customers for the year	
						(RMB'000)	*(% of our total revenue)*
1.	Customer A *(Note 1)*	Singapore, Hong Kong and PRC subsidiaries of a company listed on the New York Stock Exchange in the United States and the Stock Exchange providing online transaction services	Algal oil DHA, probiotics and vitamin products	2011	Seven to 30 days/bank transfer	76,287	22.6
2.	Customer B *(Note 2)*	PRC and Hong Kong subsidiaries of a company listed on the NASDAQ Stock Market in the United States and the Stock Exchange providing online shopping platform services	Algal oil DHA, probiotics, vitamins and multi-nutrient products	2012	Seven days/telegraphic transfer	72,861	21.6
3.	Shanghai Yicunxin	A PRC company engaging in the distribution of nutritional products throughout the PRC	All of our nutritional products	2020	Two months/bank transfer	38,205	11.3
4.	Chongqing Yinghaole Trading Co., Ltd.* (重慶嬰浩樂貿易有限公司)	A PRC company engaging in the distribution of nutritional products in Chongqing	All of our nutritional products	2007	Upfront payment/bank transfer	20,213	6.0
5.	Shanxi Xidi Trading Co., Ltd.* (陝西西地商貿有限責任公司)	A PRC company engaging in the distribution of nutritional products in Xi'an and Xianyang	All of our nutritional products	2007	Upfront payment/bank transfer	9,153	2.7
					Five largest customers in aggregate	**216,719**	**64.2**
					All other customers	120,889	35.8
					Total revenue	**337,608**	**100.0**

FY2022

	Customer	Principal business	Types of products purchased	Business relationship since	Credit term/payment method	Our sales to the customers for the year	
						(RMB'000)	*(% of our total revenue)*
1.	Customer B *(Note 2)*	PRC and Hong Kong subsidiaries of a company listed on the NASDAQ Stock Market in the United States and the Stock Exchange providing online shopping platform services	Algal oil DHA, probiotics, vitamins and multi-nutrient products	2012	Seven days/telegraphic transfer	104,151	28.4
2.	Shanghai Yicunxin	A PRC company engaging in the distribution of nutritional products throughout the PRC	All of our nutritional and milk powder products	2020	Two months/bank transfer	54,662	14.9
3.	Customer A *(Note 1)*	Singapore, Hong Kong and PRC subsidiaries of a company listed on the New York Stock Exchange in the United States and the Stock Exchange providing online transaction services	Algal oil DHA, probiotics and vitamin products	2011	Seven to 30 days/bank transfer	52,706	14.3
4.	Customer D	A company incorporated in the Marshall Islands engaged in, amongst others, online sales of nutritional products	Algal oil DHA and vitamin products	2020	Upfront payment/bank transfer	28,203	7.7
5.	Chongqing Yinghaole Trading Co., Ltd.* (重慶嬰浩樂貿易有限公司)	A PRC company engaging in the distribution of nutritional products in Chongqing	All of our nutritional and milk powder products	2007	Upfront payment/bank transfer	11,193	3.0
					Five largest customers in aggregate	**250,915**	**68.3**
					All other customers	116,382	31.7
					Total revenue	**367,297**	**100.0**

FY2023

	Customer	Principal business	Types of products purchased	Business relationship since	Credit term/payment method	Our sales to the customers for the year	
						(RMB'000)	*(% of our total revenue)*
1.	Customer B *(Note 2)*	PRC and Hong Kong subsidiaries of a company listed on the NASDAQ Stock Market in the United States and the Stock Exchange providing online shopping platform services	Algal oil DHA, probiotics and multi-nutrient products	2012	Seven days/telegraphic transfer	137,180	32.2
2.	Customer A *(Note 1)*	Singapore, Hong Kong and PRC subsidiaries of a company listed on the New York Stock Exchange in the United States and the Stock Exchange providing online transaction services	Algal oil DHA, probiotics and vitamin products	2011	Seven to 30 days/bank transfer	42,322	9.9
3.	Shanghai Yicunxin	A PRC company engaging in the distribution of nutritional products throughout the PRC	All of our nutritional and milk powder products	2020	Two months/bank transfer	42,276	9.9
4.	Customer D	A company incorporated in the Marshall Islands engaged in, amongst others, online sales of nutritional products	Algal oil DHA and probiotics products	2020	Upfront payment/bank transfer	40,205	9.4
5.	Shanghai Yumin Cultural Communication Co., Ltd.* (上海昱敏文化傳播有限公司)	A PRC company engaging in, amongst others, online sales of nutritional products	Algal oil DHA, probiotics and vitamin products	2023	5 days/bank transfer	17,729	4.2
					Five largest customers in aggregate	**279,712**	**65.6**
					All other customers	146,833	34.4
					Total revenue	**426,545**	**100.0**

6M2024

	Customer	Principal business	Types of products purchased	Business relationship since	Credit term/payment method	Our sales to the customers for the period	
						(RMB'000)	*(% of our total revenue)*
1.	Customer B *(Note 2)*	PRC and Hong Kong subsidiaries of a company listed on the NASDAQ Stock Market in the United States and the Stock Exchange providing online shopping platform services	Algal oil DHA, probiotics and multi-nutrient products	2012	Seven days/telegraphic transfer	49,996	34.2
2.	Customer A *(Note 1)*	Singapore, Hong Kong and PRC subsidiaries of a company listed on the New York Stock Exchange in the United States and the Stock Exchange providing online transaction services	Algal oil DHA, probiotics and vitamin products	2011	Seven to 30 days/bank transfer	21,205	14.5
3.	Customer D	A company incorporated in the Marshall Islands engaged in, amongst others, online sales of nutritional products	Algal oil DHA and probiotics products	2020	Upfront payment/bank transfer	18,383	12.6
4.	Shanghai Yicunxin	A PRC company engaging in the distribution of nutritional products throughout the PRC	All of our nutritional and milk powder products	2020	Two months/bank transfer	13,169	9.0
5.	Shanghai Yumin Cultural Communication Co., Ltd.* (上海昱敏文化傳播有限公司)	Engaging in, among others, technology development, exhibition display services and e-commerce	Algal oil DHA, probiotics and vitamin products	2023	5 days/bank transfer	6,047	4.1
					Five largest customers in aggregate	**108,800**	**74.4**
					All other customers	37,286	25.6
					Total revenue	**146,086**	**100.0**

Notes:

1. During the Track Record Period, we sold our products to ten members in the group of Customer A, and we regarded Customer A as our customer. We also sold our products through one online shopping platform of Customer A to our customers.

2. During the Track Record Period, we sold our products to four members in the group of Customer B, and we regarded Customer B as our customer. We also sold our products through one online shopping platform of Customer B to our customers.

3. During the Track Record Period, we sold our products to two members in the group of Customer C, and we regarded Customer C as our customer. Customer C is principally engaged in providing product testing services to safeguard consumers' interests by detecting substandard quality products and e-commerce services.

All of our five largest customers for each year/period during the Track Record Period are independent third parties. None of our Directors, their close associates, or any Shareholder who, to the best of the knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of our five largest customers for each year/period during the Track Record Period.

During the Track Record Period, we also incurred promotion expenses payable to Customer A and Customer B, which relates to brand marketing and promotional products of such customers which are e-commerce companies maintaining online shopping platforms.

For FY2021, FY2022, FY2023 and 6M2024, the revenue derived from sales to Customer A amounted to approximately RMB76.3 million, RMB52.7 million, RMB42.3 million and RMB21.2 million, representing approximately 22.6%, 14.3%, 9.9% and 14.5% of our total revenue, respectively; while our promotion expenses to Customer A amounted to approximately RMB2.9 million, RMB2.5 million, RMB3.6 million and RMB2.1 million, respectively, representing approximately 11.3%, 8.1%, 9.2% and 6.6% of our total promotion expenses, respectively for the corresponding years/period.

For FY2021, FY2022, FY2023 and 6M2024, the revenue derived from sales to Customer B amounted to approximately RMB72.9 million, RMB104.2 million, RMB137.2 million and RMB50.0 million, representing approximately 21.6%, 28.4%, 32.2% and 34.2% of our total revenue, respectively; while our promotion expenses to Customer B amounted to approximately RMB9.3 million, RMB16.2 million, RMB21.9 million and RMB13.1 million, respectively, representing approximately 36.5%, 51.9%, 44.1% and 40.8% of our total promotion expenses, respectively for the corresponding years/period.

During the Track Record Period, we had no dispute with Customer A and Customer B which would have had a material impact on our business, financial condition or results of operations. For details of the promotion expenses to Customer A and Customer B, please refer to the paragraph headed "Financial information — Principal components of the consolidated statements of profit or loss — Selling and distribution expenses and administrative and other operating expenses" in this document.

Reliance analysis on our five largest customers for each year/period during the Track Record Period

Our Directors are of the view that:

(i) our Group had significant reliance on Customer A and Customer B; and

(ii) our Group did not have any significant reliance on the other five largest suppliers for each year during the Track Record Period, namely, Shanghai Yicunxin, Chongqing Yinghaole Trading Co., Ltd.* (重慶嬰浩樂貿易有限公司); Shanxi Xidi Trading Co. Ltd.* (陝西西地商貿有限責任公司), Customer D and Shanghai Yumin Cultural Communication Co., Ltd.* (上海昱敏文化傳播有限公司).

(a) Reliance on Customer A and Customer B

Our revenue from Customer A constituted approximately 22.6%, 14.3%, 9.9% and 14.5% of our total revenue for FY2021, FY2022, FY2023 and 6M2024, respectively, whereas our revenue from Customer B constituted approximately 21.6%, 28.4%, 32.2% and 34.2% of our total revenue for FY2021, FY2022, FY2023 and 6M2024, respectively. According to Frost & Sullivan, Customer A and Customer B are among the largest e-commerce companies in the PRC, and as such it is not uncommon for brand owners or sellers of nutritional products in the PRC to have significant reliance on Customer A and Customer B and it is not commercially realistic for our Group to diversify our reliance.

(b) Why our Group does not consider ourselves to have reliance on the rest of the five largest customers for each year/period during the Track Record Period

Our Directors are of the view that our revenue from the rest of the five largest customers for each years/period during the Track Record Period was not significant. For instance:

(a) for Shanghai Yicunxin, our revenue from which constituted approximately 11.3%, 14.9%, 9.9% and 9.0% of our total revenue for FY2021, FY2022, FY2023 and 6M2024, respectively;

(b) for Chongqing Yinghaole Trading Co. Ltd.* (重慶嬰浩樂貿易有限公司), our revenue from which only constituted approximately 6.0% and 3.0% of our total revenue for FY2021 and FY2022, respectively, and was not a five largest customer for FY2023 and 6M2024;

(c) for Shanxi Xidi Trading Co. Ltd.* (陝西西地商貿有限責任公司), our revenue from which only constituted approximately 2.7% of our total revenue for FY2021 and was not a five largest customer for FY2022, FY2023 and 6M2024;

(d) for Customer D, our revenue from which constituted approximately 7.7%, 9.4% and 12.6% of our total revenue for FY2022, FY2023 and 6M2024 and was not a five largest customer for FY2021;

(e) for Shanghai Yumin Cultural Communication Co., Ltd.* (上海昱敏文化傳播有限公司), our revenue from which only constituted 4.2% and 4.1% of our total revenue for FY2023 and 6M2024, respectively, and was not a five largest suppliers for FY2021 and FY2022; and

(f) to the best of our Directors' knowledge, the above-mentioned customers do not have any common directors or shareholders and hence in the unfortunate event that we have any dispute with any one of them, the other customers will unlikely be affected.

OUR PURCHASES

Procurement of products from our suppliers

During the Track Record Period, we procured finished algal oil DHA and probiotics products from our suppliers established in the PRC, Hong Kong and the U.S., which were required by us to arrange the procurement of the key raw materials of our products, namely algal oil DHA and probiotics, from DSM Group and the Probiotics Raw Material Supplier, respectively. Our suppliers also arranged the processing of such key raw materials into finished algal oil DHA and probiotics products under the specifications required by us. For some of our products processed in the PRC, we procured the key raw materials for our suppliers to arrange for the processing of such raw materials into finished products.

The following table sets forth the breakdown of our purchases by nature for the years/periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Product costs	64,728	77.3	150,048	84.0	117,695	86.0	58,153	85.2	32,695	78.6
Raw materials	3,926	4.7	8,083	4.5	3,782	2.8	3,141	4.6	2,351	5.7
Packaging costs	9,792	11.7	15,849	8.9	11,785	8.6	4,555	6.7	4,935	11.9
Others	5,264	6.3	4,735	2.6	3,552	2.6	2,428	3.5	1,604	3.8
Total purchases	**83,710**	**100.0**	**178,715**	**100.0**	**136,814**	**100.0**	**68,277**	**100.0**	**41,585**	**100.0**

The following table sets forth the breakdown of our purchases of product costs by type of products for the years/periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Algal oil DHA products	58,263	90.0	101,440	67.6	82,240	69.9	23,642	40.7	30,414	93.0
— New Zealand DHA Products	*47,559*	*73.5*	*76,220*	*50.8*	*67,802*	*57.6*	*22,635*	*39.0*	*20,160*	*61.7*
— U.S. DHA Products	*10,704*	*16.5*	*25,220*	*16.8*	*14,438*	*12.3*	*1,007*	*1.7*	*10,254*	*31.3*
Milk powder products	—	—	41,556	27.7	30,116	25.6	30,116	51.8	—	—
Others *(Note)*	6,465	10.0	7,052	4.7	5,339	4.5	4,395	7.6	2,281	7.0
Total product costs	**64,728**	**100.0**	**150,048**	**100.0**	**117,695**	**100.0**	**58,153**	**100.0**	**32,695**	**100.0**

Note: Others include probiotics, vitamins, multi-nutrients and algal calcium products.

For FY2021, FY2022, FY2023, 6M2023 and 6M2024, the total cost of purchases for our PRC DHA Products amounted to approximately RMB1.6 million, RMB2.0 million, RMB0.7 million, RMB0.1 million and RMB0.5 million, respectively.

Algal oil DHA products

During the Track Record Period, our finished algal oil DHA products were processed in New Zealand, the U.S. and, to a lesser extent, the PRC. The processing of algal oil raw materials into our finished algal oil DHA products mainly encompasses (1) encapsulation of algal oil DHA into softgels; (2) drying of softgels containing algal oil DHA; and (3) packing of softgels into plastic bottles.

We require our suppliers for our algal oil DHA products to use algal oil DHA supplied by DSM Group. DSM Group engages in providing solutions in respect of pharmaceuticals, early life nutrition and dietary supplements with market coverage in more than 60 countries such as the PRC, North America, India and Brazil. According to Frost & Sullivan, DSM Group is regarded as the leader in the algal oil DHA market in the PRC, manufacturing over 40% of the raw materials and finished products in the algal oil DHA market in the PRC in 2023 in terms of volume and value.

Procurement models of New Zealand DHA Products and U.S. DHA Products

As a proprietary brand owner, our Group's procurement is sales-driven and our Group's procurement channels and arrangements are driven by our sales channels and demand.

According to Frost & Sullivan, branded products that are processed overseas can reach consumers in the PRC through two different models, namely the general trade model (大貿) and the cross-border e-commerce model (跨境電商零售進口). General trade entails the import of branded products that are processed overseas with both the buyer and seller being in the PRC, whereas cross-border e-commerce model entails the sales of brand products via online retail platforms across national borders when the buyer and seller are located in different jurisdictions.

In connection with cross-border e-commerce model, as advised by the PRC Legal Advisers:

(i) According to Circular on Improving the Oversight of Retail Imports in Cross-Border E-Commerce (Shang Cai Fa No. 486 [2018]) (《關於完善跨境電子商務零售進口監管有關工作的通知》(商財發[2018]486號)), "cross-border e-commerce enterprise" (跨境電商企業) means an overseas-registered enterprise which sells cross-border e-commerce retail imports to domestic consumers on a cross-border basis, and is the owner of the goods. In other words, cross-border e-commerce enterprise needs to be an overseas-registered enterprise.

(ii) According to the Circular on the Improvement of Tax Policies on Cross-Border E-Commerce Retail Imports (Cai Guan Shui No.49 [2018]) (《關於完善跨境電子商務零售進口稅收政策的通知》(財關稅[2018]49號)), the single transaction limit and annual transaction quota (the "**Quota**") for purchasing products that are imported by cross-border e-commerce model is RMB5,000 and RMB26,000, respectively, per person;

(iii) The cross-border e-commerce model does not involve tariff;

(iv) The goods purchased under the cross-border e-commerce model can only be sold in the PRC online (but not offline).

Our finished algal oil DHA products that are processed overseas include New Zealand DHA Products and U.S. DHA Products, and we adopted different procurement models for them during the Track Record Period:

(a) We adopted general trade model for New Zealand DHA Products. Under this model, our PRC subsidiary, Ruijian International, procured the New Zealand DHA Products imported by Shanghai Trilives (which is located in the PRC), which were in turn procured from New Zealand Processing Company. Shanghai Trilives handled the customs clearance. The New Zealand DHA Products that are imported by general trading model were sold under our Group's online and offline channels during the Track Record Period; and

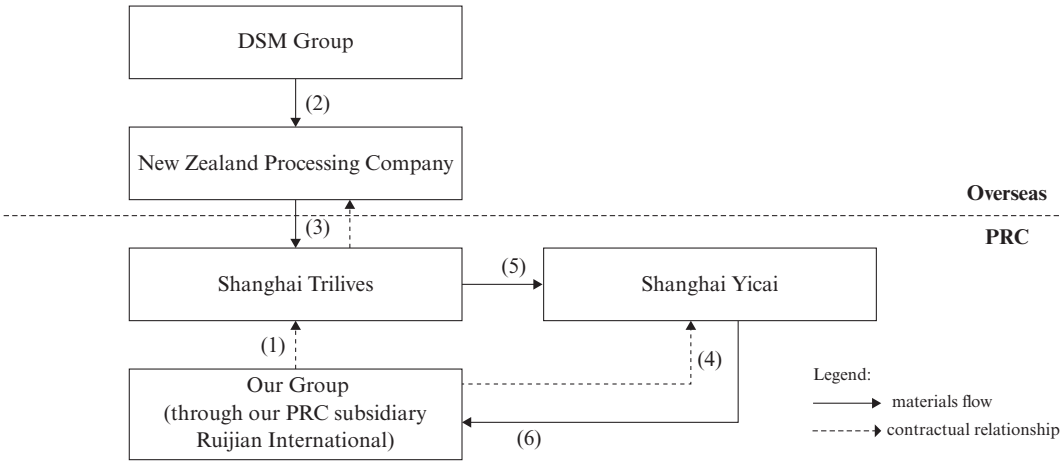
(b) We adopted cross-border e-commerce model for U.S. DHA Products. Under this model, our Seychelles subsidiary Numans Sales procured the U.S. DHA Products directly from Confidence Group (which is located in the U.S.), in which the U.S. DHA Products were imported from Confidence Group through bonded warehouses, which were then delivered to the e-commerce companies. Our Group was not responsible for handling any customs clearance. The U.S. DHA Products that are imported by cross-border e-commerce model were only sold under our Group's online channel during the Track Record Period.

Allocation of procurement between New Zealand and the U.S.

Having considered the sino-U.S. trade conflict and that the tariffs imposed by the PRC government on products imported from the U.S. is higher than the products imported from New Zealand, our executive Directors decided to adopt the general trade model for New Zealand DHA Products. Despite the cross-border e-commerce model does not involve tariff, our Group cannot only adopt cross-border e-commerce model because (i) under cross-border e-commerce model, there are restrictions on our Group's sales channels. For instance, our Group cannot sell our DHA products by offline channels that are procured under the cross-border e-commerce model; and (ii) there is an annual quota of RMB26,000 in respect of each person can spend on purchasing products that are imported from the cross-border e-commerce model, and thus our Group adopted the general trade model for New Zealand DHA Products.

(a) New Zealand DHA Products

The procurement/production flow of our New Zealand DHA Products from Shanghai Trilives during the Track Record Period is illustrated below:



Notes:

(1) We (through our PRC subsidiary Ruijian International) procure New Zealand DHA Products from Shanghai Trilives. Pursuant to the sale and purchase agreements entered into between Shanghai Trilives and our Group, the finished algal oil DHA products supplied by Shanghai Trilives shall be made from algal oil DHA supplied by DSM Group.

(2) Shanghai Trilives arranges for the New Zealand Processing Company to conduct (1) encapsulation of algal oil DHA into softgel; and (2) drying of softgel containing algal oil DHA, while the packing of softgels into plastic bottles takes place at the production facilities of the New Zealand Processing Company. The New Zealand Processing Company liaises with and procures algal oil DHA from DSM Group as per our requirements imposed on Shanghai Trilives.

(3) Shanghai Trilives imports the bottled finished algal oil DHA products from the New Zealand Processing Company to the PRC, handles the customs clearance and engages third party laboratories to conduct quality test.

(4) We procure packaging materials for the packaging of the bottled finished algal oil DHA products from Shanghai Yicai.

(5) Shanghai Trilives delivers the bottled finished algal oil DHA products to Shanghai Yicai for packaging and affixing anti-counterfeit labels on the products. As we adopt general trade model for New Zealand DHA Products and purchase our New Zealand DHA Products from the New Zealand Processing Company through Shanghai Trilives (which is onshore), the affixation of anti-counterfeit labels is also conducted onshore by Shanghai Yicai (which is a PRC company).

(6) Shanghai Yicai delivers the finished algal oil DHA products with packaging and anti-counterfeit labels to our warehouses in Shanghai, the PRC.

Shanghai Trilives is a company established in the PRC in 2013, which principally engages in imported food and nutraceutical material distribution in the PRC and the provision of contract manufacturing services for import and export products. For details

of the background of Shanghai Trilives and our relationship with Shanghai Trilives, please refer to the paragraphs headed "Our Suppliers — Background of Shanghai Trilives" and "Our Suppliers — Our relationship with Shanghai Trilives" in this section.

Shanghai Yicai is a company established in the PRC in 2011 and is a packaging material supplier in the PRC. For details of our relationship with Shanghai Yicai, please refer to the section headed "Our Suppliers" in this section.

The New Zealand Processing Company is an independent third party. It is a subsidiary of a multinational food and drink processing conglomerate corporation headquartered in Switzerland and listed on the SIX Swiss Exchange. The New Zealand Processing Company was incorporated in New Zealand, and principally engages in the research, development, manufacture, packaging and sales of nutritional products, mainly in the form of softgel, hardshell, tablet and powder. The New Zealand Processing Company operates a factory in Auckland, New Zealand. In August 2022, we signed an agreement with Shanghai Trilives and the New Zealand Processing Company, pursuant to which Shanghai Trilives committed to engage the New Zealand Processing Company to process finished algal oil DHA products for us for a term of ten years. Save as disclosed above, there was/is no past or present relationship between our Group and the New Zealand Processing Company.

Commercial rationale for our Group to procure New Zealand DHA Products from Shanghai Trilives

Our commercial rationale for procuring New Zealand DHA Products from Shanghai Trilives is set out below:

(i) in order to qualify as imported finished products, our algal oil DHA products shall be manufactured overseas with finished packaging. Given that Shanghai Trilives has the capability to identify suitable overseas processing companies to process our finished algal oil DHA products according to our specifications, such as the New Zealand Processing Company, we engaged Shanghai Trilives to arrange such overseas processing facilities to produce finished algal oil DHA products overseas for importation into the PRC;

(ii) Shanghai Trilives is capable of providing technical know-how and handling various time-consuming and burdensome processes. For instance, Shanghai Trilives is responsible for preparing export and import declaration forms and arranging customs clearance procedures. As advised by the PRC Legal Advisers, the key requirements and procedures involved in customs clearance include:

1. According to the PRC Food Safety Law (《中華人民共和國食品安全法》), Measures for the Administration of Import and Export Food Safety (《中華人民共和國進出口食品安全管理辦法》and the Administration Measures on the Registration of Overseas Manufacturers of Imported Food (《中華人民共和國進口食品境外生產企業註冊管理規定》), overseas manufacturers which intend to export DHA algal oil to the PRC must register with the General Administration of Customs and obtain a "China Registration Number" (在華註冊編號). The

overseas manufacturers must continuously meet registration requirements during the validity period and label their products with the registration number on the packaging.

2. According to the Measures for the Administration of Import and Export Food Safety, food importers must file (備案) with the customs at their place of residence. The initial filing materials include the filing application form, documents reflecting the organisational structure related to food safety, a description of the food types and storage locations, and explanations if the importer has engaged in food import, processing, and sales within the past two years.

3. The importer is required to register with the PRC Customs and submit declaration materials, including the sample labels and their translations of the imported food, the goods list, a certificate of conformity, and an official quarantine (health) certificate from the exporting country or region.

4. The PRC Customs will assess the conformity of imported food according to relevant laws and regulations. If it meets the requirements, the PRC customs will issue an "Entry Goods Inspection and Quarantine Certificate" (《入境貨物檢驗檢疫證明》). Non-conforming goods may be destroyed, returned or undergo technical treatment under customs supervision.

5. The importer is also required to fill in each column of the customs declaration form in accordance with the Instructions of the Customs of the PRC for Completing the Customs Declaration Forms for the Import and Export of Goods (《中華人民共和國海關進出口貨物報關單填制規範》), and submit the electronic data and the accompanying documents to the PRC Customs, including commercial documents such as contracts, invoices, transport documents, packing lists, licenses and attached documents required for import and export, and other documents specified by the General Administration of Customs.

6. According to the Customs Law of the PRC (《中華人民共和國海關法》), the importer must pay taxes within fifteen days from the date of issuance of the tax payment notice by customs.

Considering the various requirements and procedures as set out above, our Directors are of the view that having Shanghai Trilives to handle customs clearance is more beneficial than if our Group needs to handle it by ourselves.

Furthermore, Shanghai Trilives is also responsible for (a) arranging domestic logistics services overseas and importation from overseas to the PRC; (b) liaising with various parties overseas for raw materials procurement; (c) liaising with the New Zealand Processing Company regarding the production schedules and manufacturing arrangement; (d) arranging quality testing by independent third party laboratory; and (e) trouble shooting for issues arisen during the procurement and production process;

(iii) we are only required to pay 40% upfront payment upon our placing of orders with Shanghai Trilives and the remaining are to be settled after importation of products (which are normally a few months after placing of orders), delivery of products and receipt of sanitary certificate; whereas in other circumstances we may be required to pay 100% upfront payment to our suppliers upon placing of orders;

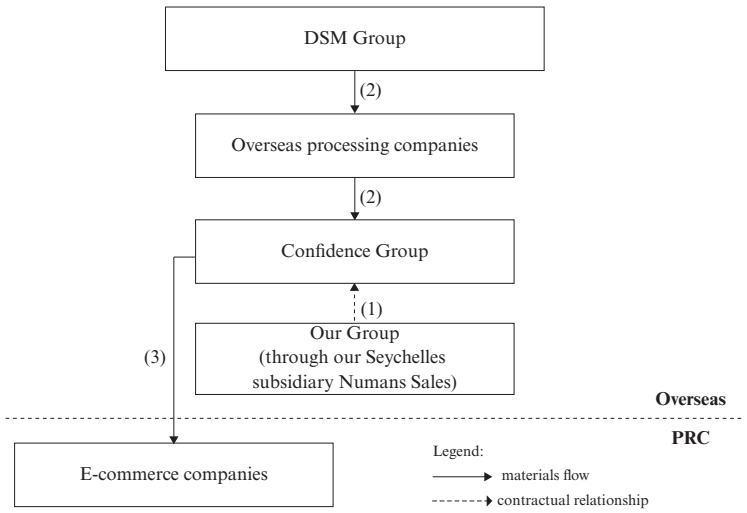
(iv) Shanghai Trilives could help our Group minimise the risk of foreign exchange rate fluctuations since our Group does not need to settle our payment with Shanghai Trilives in foreign currencies; and

(v) Shanghai Trilives could help our Group mitigate the risk arising from any potential changes in the PRC laws and regulations in respect of nutritional products. Pursuant to our agreements with Shanghai Trilives, Shanghai Trilives is responsible for ensuring that the products supplied by it shall comply with the relevant requirements for imported food and the national regulations and corporate standards as well as requirements specified by the labels on the plastic bottles. In case there is any change in the PRC laws and regulations in respect of nutritional products and the products supplied by Shanghai Trilives are unable to complete customs clearance, Shanghai Trilives shall refund the upfront payment to us.

(b) U.S. DHA Products

During the Track Record Period, we procured U.S. DHA Products from Confidence Group. During the Track Record Period, our finished algal oil DHA products which were processed in the U.S. were sold to e-commerce companies and were delivered to the airports in the PRC designated by the e-commerce companies, and our Group was not responsible for delivery of our products to any bonded warehouse nor handling any customs clearance.

The procurement/production flow of our U.S. DHA Products from Confidence Group during the Track Record Period is illustrated below:



Notes:

(1) We (through our Seychelles subsidiary Numans Sales) procure our U.S. DHA Products from Confidence Group. Pursuant to the procurement contracts entered into between Confidence Group and our Group, the finished algal oil DHA products supplied by Confidence Group shall be made from algal oil DHA supplied by DSM Group.

(2) Confidence Group arranges for third party processing companies located in the U.S. to conduct (1) encapsulation of algal oil DHA into softgel; and (2) drying of softgel containing algal oil DHA, while the packing of softgels into plastic bottles takes place at the production facilities of Confidence Group. Such third party processing companies liaise with and procure algal oil DHA from DSM Group as per our requirements imposed on Confidence Group.

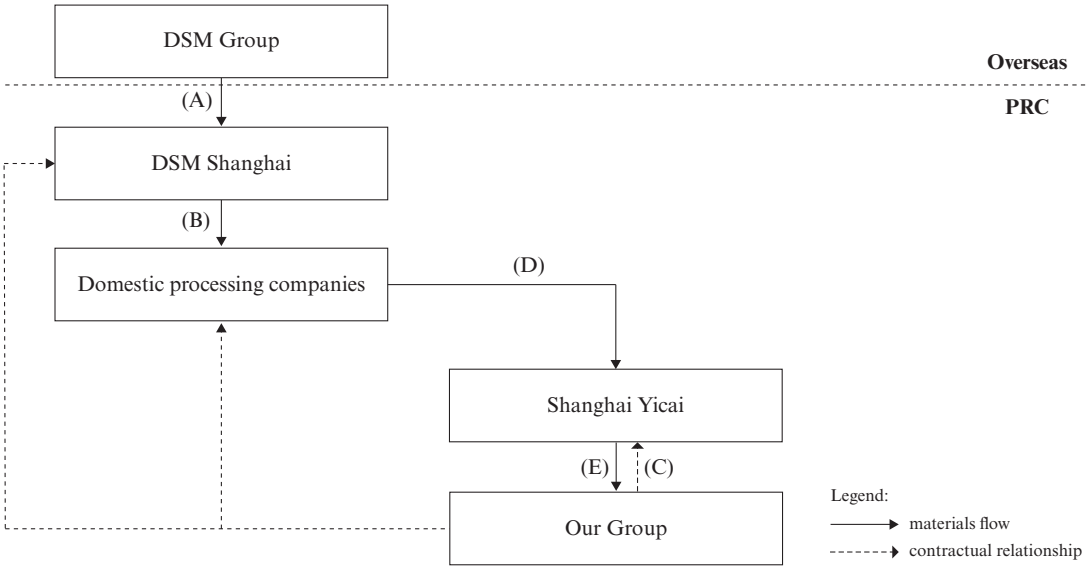
(3) Our U.S. DHA Products are sold to e-commerce companies. Our Group arranges for the finished algal oil DHA products to be delivered to the airports in the PRC designated by the e-commerce companies, and our Group is not responsible for the delivery of our products to any bonded warehouse nor handling any customs clearance. As we adopt cross-border e-commerce model for U.S. DHA Products and purchase our U.S. DHA Products directly from Confidence Group (which is offshore) which would then be directly delivered to the e-commerce companies, the U.S. DHA Products we purchase from Confidence Group are finished products.

Confidence Group is an independent third party. It includes two private companies incorporated in the U.S. under common control and management, and principally engages in nutraceutical research and development, production and marketing of nutritional products.

(c) PRC DHA Products

Apart from finished algal oil DHA products which were processed overseas, during the Track Record Period, we have also, to a lesser extent, procured finished algal oil DHA products processed by domestic processing companies in the PRC.

The procurement/production flow of our PRC DHA Products during the Track Record Period is illustrated below:



Notes:

(A) We liaise with and procure algal oil DHA supplied by DSM Group through DSM Shanghai. Such raw materials are delivered to the domestic processing companies in the PRC engaged by us for processing into our finished algal oil DHA products.

(B) The domestic processing companies conduct (1) encapsulation of algal oil DHA into softgel; (2) drying of softgel containing algal oil DHA, and (3) packing the softgels into plastic bottles.

(C) We procure packaging materials for the packaging of the bottled finished algal oil DHA products from Shanghai Yicai.

(D) The domestic processing companies deliver the bottled finished algal oil DHA products to Shanghai Yicai for packaging and affixing anti-counterfeit labels on the products. As the processing of our PRC DHA Products takes place onshore, the affixation of anti-counterfeit labels is also conducted onshore by Shanghai Yicai (which is a PRC company).

(E) Shanghai Yicai delivers the finished algal oil DHA products with packaging and anti-counterfeit labels to our warehouses in Shanghai, the PRC.

DSM Shanghai consists of two companies established in the PRC in 1995 and 2004, respectively, which are within the same group of companies with DSM Group. For details of our relationship with DSM Group, please refer to the paragraphs headed "Our Suppliers — Relationship with DSM Group" in this section.

Unlike our Group's procurement models in the U.S. and New Zealand, our Group procured the algal oil DHA raw materials and packaging materials ourselves for PRC DHA Products. This is because:

(i) DSM Shanghai is also in the PRC, in which our Group can deal and liaise directly with for procuring algal oil DHA raw materials;

(ii) Apart from being the suppliers of our imported algal oil DHA products, Confidence Group/Shanghai Trilives also carry out value-added activities including handling the sourcing management and liaison of production schedule for our Group; and

(iii) Like our Group, the domestic processing companies and Shanghai Yicai are also located in the PRC. As such, it is not essential that our Group requires the abovementioned value-added activities as in the case of the U.S./New Zealand.

How our Group ensure the authenticity of our algal oil DHA products

We have the following measures to ensure the authenticity of our finished algal oil DHA products (i.e. the New Zealand DHA Products, U.S. DHA Products and PRC DHA Products we sell were procured from Shanghai Trilives, Confidence Group and Shanghai Yicai, respectively):

(a) in respect of New Zealand DHA Products, as we adopt general trade model and purchase our New Zealand DHA Products from the New Zealand Processing Company through Shanghai Trilives (which is onshore), we would inspect the finished New Zealand DHA Products;

(b) in respect of U.S. DHA Products, we engage third party logistics service providers for transportation and delivery of our U.S. DHA Products to the bonded warehouse of e-commerce companies in the PRC, in which the logistics service providers would check for us whether the packaging of the goods appear to be U.S. DHA Products. In addition, we can ensure their authenticity having considering:

(i) we would check the information submitted to customs against the product information (such as product description, value, quantity and invoice/contract number);

(ii) our authorisation as the goods owner is required for the U.S. DHA Products to be admitted by bond warehouse; and

(iii) our e-commerce customers would alert us if the goods delivered to their bond warehouse by Confidence Group are not our U.S. DHA Products;

(c) in respect of PRC DHA Products, as the processing of our PRC DHA Products takes place onshore, we would inspect the finished PRC DHA Products.

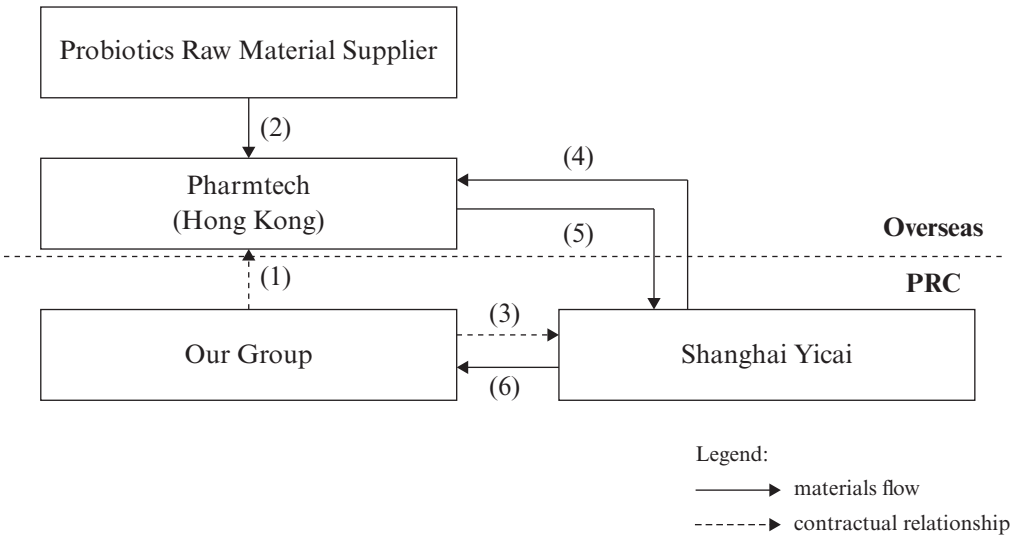
Probiotics products

During the Track Record Period, we mainly procured our probiotics products from Pharmtech, which was responsible for the processing of our finished probiotics products. We require Pharmtech to use probiotics supplied by the Probiotics Raw Material Supplier. The processing of probiotics into our finished probiotics products encompasses (i) mixing of probiotics with maltodextrin; and (ii) packing of probiotics products into the sachets and boxes.

The Probiotics Raw Material Supplier is an independent third party. It is a large food cultures and dairy enzymes producer, and a leading manufacturer of probiotics which sells its products in more than 140 countries. According to its latest annual report, its revenue amounted to over EUR1,300 million for its financial year ended 31 August 2023. It was listed on Nasdaq OMX Copenhagen until it merged with another company listed on NASDAQ OMX Copenhagen in January 2024.

Pharmtech is an independent third party. It is a company incorporated in Hong Kong which engages in the processing of basic pharmaceutical products. Pharmtech operates processing facilities in Hong Kong and holds Food Factory Licence under the Public Health and Municipal Services Ordinance (Cap. 132 of the Laws of Hong Kong).

The procurement flow of finished probiotics products, which are processed and packaged in Hong Kong is illustrated below:



Notes:

(1) We mainly procure our probiotics products from Pharmtech.

(2) We negotiate with the Probiotics Raw Material Supplier on a per-order basis for the key raw materials of our probiotics products, which are then procured by and delivered to Pharmtech for production. Pharmtech is responsible for the processing of our finished probiotics products. We require Pharmtech to use the key raw materials supplied by the Probiotics Raw Material Supplier for our probiotics products.

(3) We procure packaging materials for the packaging of the finished probiotics products from Shanghai Yicai.

(4) We arrange for the delivery of the packaging materials to Pharmtech for packaging the finished probiotics products.

(5) We arrange for the delivery of the finished probiotics products with packaging to Shanghai Yicai to affix the anti-counterfeit labels on the products.

(6) Shanghai Yicai arranges to deliver the finished probiotics products with packaging and anti-counterfeit labels to our warehouses in Shanghai, the PRC.

Our commercial rationale for procuring the key raw materials of our probiotics products through Pharmtech instead of from the Probiotics Raw Material Supplier directly is mainly because Pharmtech can provide one-stop services from procurement, processing of probiotics into our finished probiotics products to conducting tests, which enables our Group to focus our resources on our brand development and managing different distribution channels.

Vitamins, multi-nutrients and algal calcium products

During the Track Record Period, we mainly procured our finished vitamins, multi-nutrients and algal calcium products from processing companies in the PRC. We then engaged Shanghai Yicai, which is a packaging company in the PRC, to affix anti-counterfeit labels on our finished vitamins, multi-nutrients and algal calcium products and deliver such finished products to our warehouses in Shanghai, the PRC.

Selection of major suppliers

In selecting major suppliers for our nutritional products which are processed overseas, we focus on assessing whether the relevant laws and regulations as well as import procedures can be complied with when our products are imported into the PRC. Before we place an order with them, we will consider the pricing, whether our requirement for product specifications, quality and safety can be fulfilled and whether the products can satisfy the PRC import requirements and be delivered on time. To ensure the quality and regulatory compliance of imported goods, we also require our suppliers to produce the relevant product test reports, import declaration forms and sanitary certificates for our inspection and record.

For processing companies in the PRC, we require them to hold the requisite business licences and food production licences issued by the relevant PRC authorities. During the Track Record Period, we engaged four processing companies in the PRC, including (i) a processing company located in Zhejiang Province for the processing of finished algal oil DHA, vitamins, multi-nutrients and algal calcium products; (ii) a processing company located in Hubei Province for the processing of finished multi-nutrient products; (iii) a processing company located in Tianjin City for the processing of finished probiotics products; and (iv) a processing company located in Shandong Province for the processing of finished algal oil DHA products. These suppliers are principally engaged in the production and sales of nutritional products in the PRC. The procurement costs payable to these suppliers are determined with reference to the volume of finished products and the unit price for production. Before engaging a processing company, we conduct evaluation of the processing facilities to ensure that the quality of the products can meet

with our requirements. To ensure and better manage the quality of our products, we require the processing companies to process our products from high quality and safe ingredients. We conduct quality control by sample checking and engaging qualified testing and certification centres to conduct testing on the quality and safety of products.

We enter into procurement contracts and/or place purchase orders with our suppliers, specifying the products to be procured, the quantity, unit price and delivery arrangement. Products processed in the PRC are normally delivered to us within 60 days from the placing of orders. For finished products processed overseas, it normally takes around three to six months from the placing of orders to the delivery.

OUR SUPPLIERS

We mainly procure finished products from our suppliers and our suppliers shall be responsible for arranging for the processing of our products. During the Track Record Period, we procured finished algal oil DHA and probiotics products from our suppliers established in the PRC, the U.S. and Hong Kong. For some of our products processed in the PRC, we procured the key raw materials for our suppliers and our suppliers shall arrange for the processing of such raw materials into our finished products.

Our suppliers mainly include (i) suppliers of finished algal oil DHA products, probiotics products, vitamin products, algal calcium products and milk powder products, which were established in the PRC, the U.S. and Hong Kong; (ii) a packaging service provider established in the PRC; and (iii) suppliers of raw materials including algal oil DHA and multi-nutrients which were established in the PRC. We generally select our suppliers based on the quality of products or services, product safety, business reputation, production scale, supply stability, years of relationship and pricing. For domestically processed products, we require our suppliers to hold the requisite business licences and food production licences issued by the relevant PRC governmental authority. For imported finished products, we will particularly consider whether the relevant importation laws and regulations and import procedures can be complied with when our products are imported into the PRC, and whether our suppliers can produce the relevant product test reports and sanitary certificates to us.

We implement measures to ensure the quality and safety of the raw materials that are used in our products. Our suppliers for our finished algal oil DHA products are required to use the algal oil DHA supplied by DSM Group. DSM Group is regarded as the leader in the algal oil DHA market in the PRC, manufacturing over 40% of the raw materials and finished products in terms of volume and value in the algal oil DHA market in the PRC in 2023, according to Frost & Sullivan. Our suppliers for our finished probiotics products are required to use probiotics supplied by the Probiotics Raw Material Supplier, a company, which was one of the largest suppliers of probiotics raw materials in the PRC, accounting for approximately 35% of the total revenue in the supply of probiotics raw materials in the PRC in 2023, according to Frost & Sullivan. According to Frost & Sullivan, products using imported raw materials enjoy popularity among consumers in the maternal and children nutritional product industry in the PRC. In the past, PRC consumers' confidence in domestic brands was undermined by a series of scandals involving maternal and children products such as the 2008 Chinese milk scandal. Over years of effort, domestic brands are gradually gaining consumers' confidence, while the raw

materials used by the largest domestic brands are mostly imported from international chemical and nutrition companies. Therefore, finished algal oil DHA products which use key raw materials supplied by overseas suppliers and are processed overseas are perceived by PRC consumers as having high quality and enjoy higher level of consumers' confidence and demand in the PRC. As we are authorised to print the trademarks of DSM Group on the packagings of our algal oil DHA products, our Directors believe that our consumers can be assured that imported raw materials are used in our products and our products are of high quality through the printing of the trademarks of the supplier of the raw materials on the packagings of our algal oil DHA products, thereby improving our brand image and recognition in the industry.

For FY2021, FY2022, FY2023 and 6M2024, purchases from our five largest suppliers for each year/period during the Track Record Period accounted for approximately 90.7%, 92.7%, 94.3% and 92.4% of our total purchases respectively, and our purchases from our largest supplier for each year/period during the Track Record Period accounted for approximately 56.8%, 42.6%, 49.6% and 48.5% of our total purchases respectively. We have maintained stable business relationships with our five largest suppliers for each year/period during the Track Record Period. Save for Ausnutria Group from whom we commenced to procure our milk powder products in 2022, we have established business relationship of six to 12 years with our five largest suppliers for each year/period during the Track Record Period.

The following tables set out the details of our five largest suppliers for each year/period during the Track Record Period:

FY2021

	Supplier	Principal business	Types of materials/ products/services supplied	Business relationship since	Credit term/payment method	Our purchases from the suppliers for the year	
						(RMB'000)	*(% of our total purchases)*
1.	Shanghai Trilives	A PRC company engaging in imported food and nutraceutical material distribution in the PRC and the provision of contract manufacturing services for import and export products	New Zealand DHA Products	2013	Advance payment of 40% of the contract sum within seven business days upon signing of contract; 40% of balance payable upon arrival of products at a Chinese port and before Customs declaration by Shanghai Trilives; 10% of balance payable within seven business days upon delivery of products to our warehouse and our confirmation of quantity and packaging quality; 10% of balance payable upon our receipt of sanitary certificate/bank transfer	47,559	56.8
2.	Confidence Group	Two U.S. companies under common control and management engaging in nutraceutical research and development, production and marketing of nutritional products	U.S. DHA Products	2017	50% of amount payable within ten business days upon signing of contract; 50% balance to be paid seven business days before delivery of products/ telegraphic transfer	10,704	12.8

	Supplier	Principal business	Types of materials/ products/services supplied	Business relationship since	Credit term/payment method	Our purchases from the suppliers for the year	
						(RMB'000)	*(% of our total purchases)*
3.	Shanghai Yicai	A PRC company manufacturing packaging materials and providing packaging services	Packaging services	2011	30% advance payment; balance is payable within seven business days upon delivery/bank transfer	9,248	11.0
4.	Pharmtech	A Hong Kong company principally engaging in manufacturing Chinese medicines, herbal, food and natural health products, packaging services, testing services and supply chain logistics services	Finished probiotics products which are processed in Hong Kong	2012	100% advance payment/telegraphic transfer	6,250	7.5
5.	Subsidiaries of DSM Group	Two companies established in Shanghai engaging in the sale and distribution of raw materials for nutritional products	Raw materials for PRC DHA Products and raw materials for multi-nutrient products	2012	100% advance payment or 30 days upon delivery/ bank transfer	2,178	2.6
					Five largest suppliers in aggregate	**75,939**	**90.7**
					All other suppliers	7,771	9.3
					Total purchases	**83,710**	**100.0**

FY2022

	Supplier	Principal business	Types of materials/ products/services supplied	Business relationship since	Credit term/payment method	Our purchases from the suppliers for the year	
						(RMB'000)	*(% of our total purchases)*
1.	Shanghai Trilives	A PRC company engaging in imported food and nutraceutical material distribution in the PRC and the provision of contract manufacturing services for import and export products	New Zealand DHA Products	2013	Advance payment of 40% of the contract sum within seven business days upon signing of contract; 40% of balance payable upon arrival of products at a Chinese port and before Customs declaration by Shanghai Trilives; 10% of balance payable within seven business days upon delivery of products to our warehouse and our confirmation of quantity and packaging quality; 10% of balance payable upon our receipt of sanitary certificate/bank transfer	76,220	42.6

	Supplier	Principal business	Types of materials/ products/services supplied	Business relationship since	Credit term/payment method	Our purchases from the suppliers for the year	
						(RMB'000)	*(% of our total purchases)*
2.	Ausnutria Group	A group of companies, the holding company of which is listed on the Main Board of the Stock Exchange which principally engages in (i) the dairy industry with activities ranging from R&D, milk collection, processing, production, packaging, marketing and distribution of infant formula and other dairy products to customers in the PRC, the Netherlands, Australia and other overseas countries; and (ii) R&D, production, marketing and distribution of nutrition products to customers principally located in the PRC and Australia.	Milk powder products	2021	80% of the amount payable within one week upon signing of contract; balance is payable before collection of products/ bank transfer	41,556	23.3
3.	Confidence Group	Two U.S. companies under common control and management engaging in nutraceutical research and development, production and marketing of nutritional products	U.S. DHA Products	2017	50% of amount payable within ten business days upon signing of contract; 50% balance to be paid seven business days before delivery of products/ telegraphic transfer	25,219	14.1
4.	Shanghai Yicai	A PRC company manufacturing packaging materials and providing packaging services	Packaging services	2011	30% advance payment; balance is payable within seven business days upon delivery/bank transfer	15,590	8.7
5.	Pharmtech	A Hong Kong company principally engaging in manufacturing Chinese medicines, herbal, food and natural health products, packaging services, testing services and supply chain logistics services	Finished probiotics products which are processed in Hong Kong	2012	100% advance payment/telegraphic transfer	7,052	4.0
					Five largest suppliers in aggregate	**165,637**	**92.7**
					All other suppliers	13,078	7.3
					Total purchases	**178,715**	**100.0**

FY2023

	Supplier	Principal business	Types of materials/ products/services supplied	Business relationship since	Credit term/payment method	Our purchases from the suppliers for the year	
						(RMB'000)	*(% of our total purchases)*
1.	Shanghai Trilives	A PRC company engaging in imported food and nutraceutical material distribution in the PRC and the provision of contract manufacturing services for import and export products	New Zealand DHA Products	2013	Advance payment of 40% of the contract sum within seven business days upon signing of contract; 40% of balance payable upon arrival of products at a Chinese port and before Customs declaration by Shanghai Trilives; 10% of balance payable within seven business days upon delivery of products to our warehouse and our confirmation of quantity and packaging quality; 10% of balance payable upon our receipt of sanitary certificate/bank transfer	67,802	49.6
2.	Ausnutria Group	A group of companies, the holding company of which is listed on the Main Board of the Stock Exchange principally engages in (i) the dairy industry with activities ranging from R&D, milk collection, processing, production, packaging, marketing and distribution of infant formula and other dairy products to customers in the PRC, the Netherlands, Australia and other overseas countries; and (ii) R&D, production, marketing and distribution of nutrition products to customers principally located in the PRC and Australia.	Milk powder products	2021	80% of the amount payable within one week upon signing of contract; balance is payable before collection of products/ bank transfer	30,116	22.0
3.	Confidence Group	Two U.S. companies under common control and management engaging in nutraceutical research and development, production and marketing of nutritional products	U.S. DHA Products	2017	50% of amount payable within ten business days upon signing of contract; 50% balance to be paid seven business days before delivery of products/telegraphic transfer	14,438	10.5

	Supplier	Principal business	Types of materials/ products/services supplied	Business relationship since	Credit term/payment method	Our purchases from the suppliers for the year	
						(RMB'000)	*(% of our total purchases)*
4.	Shanghai Yicai	A PRC company manufacturing packaging materials and providing packaging services	Packaging services	2011	30% advance payment; balance is payable within seven business days upon delivery/bank transfer	11,342	8.3
5.	Pharmtech	A Hong Kong company principally engaging in manufacturing Chinese medicines, herbal, food and natural health products, packaging services, testing services and supply chain logistics services	Finished probiotics products which are processed in Hong Kong	2012	100% advance payment/ telegraphic transfer	5,339	3.9
					Five largest suppliers in aggregate	**129,037**	**94.3**
					All other suppliers	7,777	5.7
					Total purchases	**136,814**	**100.0**

6M2024

	Supplier	Principal business	Types of materials/ products/services supplied	Business relationship since	Credit term/payment method	Our purchases from the suppliers for the period	
						(RMB'000)	*(% of our total purchases)*
1.	Shanghai Trilives	A PRC company engaging in imported food and nutraceutical material distribution in the PRC and the provision of contract manufacturing services for import and export products	New Zealand DHA Products	2013	Advance payment of 40% of the contract sum within seven business days upon signing of contract; 40% of balance payable upon arrival of products at a Chinese port and before Customs declaration by Shanghai Trilives; 10% of balance payable within seven business days upon delivery of products to our warehouse and our confirmation of quantity and packaging quality; 10% of balance payable upon our receipt of sanitary certificate/bank transfer	20,161	48.5
2.	Confidence Group	Two U.S. companies under common control and management engaging in nutraceutical research and development, production and marketing of nutritional products	U.S. DHA Products	2017	50% of amount payable within ten business days upon signing of contract; 50% balance to be paid seven business days before delivery of products/telegraphic transfer	10,254	24.7

	Supplier	Principal business	Types of materials/ products/services supplied	Business relationship since	Credit term/payment method	Our purchases from the suppliers for the period	
						(RMB'000)	*(% of our total purchases)*
3.	Shanghai Yicai	A PRC company manufacturing packaging materials and providing packaging services	Packaging services	2011	30% advance payment; balance is payable within seven business days upon delivery/bank transfer	4,882	11.7
4.	Pharmtech	A Hong Kong company principally engaging in manufacturing Chinese medicines, herbal, food and natural health products, packaging services, testing services and supply chain logistics services	Finished probiotics products which are processed in Hong Kong	2012	100% advance payment/ telegraphic transfer	2,281	5.5
5.	Subsidiaries of DSM Group	Two companies established in Shanghai engaging in the sale and distribution of raw materials for nutritional products	Raw materials for PRC DHA Products and raw materials for multi-nutrient products	2012	100% advance payment or 30 days upon delivery/ bank transfer	846	2.0
					Five largest suppliers in aggregate	**38,424**	**92.4**
					All other suppliers	3,161	7.6
					Total purchases	**41,585**	**100.0**

All of our five largest suppliers for each year/period during the Track Record Period are independent third parties. None of our Directors, their close associates, or any Shareholder who, to the best of the knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of our five largest suppliers for each year/period during the Track Record Period.

Reliance analysis on our direct and indirect suppliers

The source and quality of the raw materials used in our products are of paramount importance. As such, we rely on following direct and indirect suppliers significantly:

(i) DSM Group (including DSM Shanghai), in which the algal oil DHA raw materials of our Group's finished algal oil DHA products were all sourced from DSM Group; and

(ii) Probiotics Raw Material Supplier, (in which the probiotics raw materials of our Group's finished probiotics products were all sourced from the Probiotics Raw Material Supplier);

Although our Group had certain degree of reliance on Shanghai Trilives, Confidence Group and the New Zealand Processing Company, any cessation of our Group's collaboration with these parties is not expected to materially affect our Group's long-term sustainability. We consider that our Group did not have reliance on the other five largest suppliers for each year/period during the Track Record Period, namely, Pharmtech, Shanghai Yicai and Ausnutria Group.

(a) Reliance on DSM Group (including DSM Shanghai) and Probiotics Raw Material Supplier

Finished algal oil DHA Products and probiotics products are our Group's major products which in aggregate constituted approximately 99.0%, 98.0%, 99.0% and 99.5% of our revenue for FY2021, FY2022, FY2023 and 6M2024, respectively. In addition, the algal oil DHA raw materials of our finished algal oil DHA products were all sourced from DSM Group and the probiotics raw materials of our finished probiotics products were all sourced from the Probiotics Raw Material Supplier.

According to Frost & Sullivan, DSM Group is regarded as the leader in the algal oil DHA market in the PRC, manufacturing over 40% of the raw materials and finished products in terms of volume and value in the algal oil DHA market in the PRC in 2023, while the Probiotics Raw Material Supplier is one of the largest suppliers of probiotics raw materials in the PRC in 2023, accounting for approximately 35% of the total revenue in the market for the supply of probiotics raw materials in the PRC in 2023. Therefore, it is not uncommon for brand owners or sellers of algal oil DHA products and probiotics products to have significant reliance on DSM Group and the Probiotics Raw Material Supplier and it is not commercially realistic for our Group to diversify our reliance.

(b) Why any cessation of our Group's collaboration with Shanghai Trilives, Confidence Group or the New Zealand Processing Company is not expected to materially affect our Group's long-term sustainability

As a proprietary brand owner, the foundation of our Group's business is built upon our brands, and a crucial element of our Group's brands on algal oil DHA products is that the algal oil DHA raw materials are all sourced from DSM Group. Indeed, we have obtained authorisation to use the trademarks of DSM Group on the packaging of our algal oil DHA products since 2012 to indicate that our algal oil DHA products were made from algal oil DHA supplied by DSM Group. As such and as disclosed above, our Group has significant reliance on DSM Group. Having said that, it does not necessarily follow that our Group has significant reliance on Confidence Group, Shanghai Trilives and the New Zealand Processing Company notwithstanding they are the parties in our Group's procurement chain for algal oil DHA products.

We first commenced our business relationship with Shanghai Trilives and Confidence Group in 2013 and 2017, respectively. Our Directors confirmed that since the commencement of our working relationship with Shanghai Trilives and Confidence Group, there has been no material delay in delivery by or material dispute with Shanghai Trilives and Confidence Group. It was because of the smooth collaboration between our Group, Shanghai Trilives and Confidence Group down the years that our Group has maintained a long-term working relationship with each of them and continued to collaborate with Shanghai Trilives and Confidence Group without looking for other substituting contract manufacturing service providers/processing companies. As such, despite the purchases from Shanghai Trilives/Confidence constituted approximately 56.8%/12.8%, 42.6%/14.1%, 49.6%/10.5% and 48.5%/24.7% of our Group's total purchases for FY2021, FY2022, FY2023 and 6M2024, respectively, our Directors are of the view that the abovementioned percentages alone do not necessarily mean that our Group had significant reliance on Shanghai Trilives (and

the New Zealand Processing Company for the same reasoning) and Confidence Group. Furthermore, according to Frost & Sullivan, there are other contract manufacturing service providers like Shanghai Trilives and there are other processing companies in the U.S. and New Zealand like Confidence Group and the New Zealand Processing Company, respectively.

In view of the above, our Directors are of the view that, in the unforeseen event our collaboration with Shanghai Trilives, Confidence Group or the New Zealand Processing Company ceases, it may cause temporary disruption to our Group's operations but it is not expected to materially affect our Group's sustainability in the long run.

For further analysis on our reliance with Shanghai Trilives, please refer to the paragraph headed "Reliance on Shanghai Trilives is not expected to affect our long-term sustainability" in this section below.

(c) Why we consider our Group not to have significant reliance on Ausnutria Group

Ausnutria Group was the supplier of our Group's milk powder product during the Track Record Period. Despite the purchases from which constituted approximately 23.3% and 22.0% of the our total purchases for FY2022 and FY2023, respectively, our Group has terminated all of its agreements with Ausnutria Group in October 2023 and our Group had no plan to resume milk powder business in the near future as disclosed in the paragraph headed "Financial Information — Other (losses)/gains, net — Termination of the agreements with Ausnutria Group" in this document.

(d) Why we consider our Group not to have reliance on the rest of the five largest supplier for each year/period during the Track Record Period

Our Directors are of the view that our purchases from the rest of the five largest supplier for each year/period during the Track Record Period were not significant. For instance (i) for Pharmtech, our purchases from which only constituted approximately 7.5%, 4.0%, 3.9% and 5.5% of our total purchases for FY2021, FY2022, FY2023 and 6M2024, respectively; and (ii) for Shanghai Yicai, our purchases from which only constituted approximately 11.0%, 8.7%, 8.3% and 11.7% of our total purchases for FY2021, FY2022, FY2023 and 6M2024, respectively.

Major terms of the agreements with our suppliers for processing and packaging services

The prices charged by our suppliers are generally subject to our negotiation with them and adjustment of raw materials and manufacturing/processing costs from time to time. We have not been subject to material price increases by our major suppliers during the Track Record Period, and we believe that in the event of material increase in price, we are able to transfer the price increase to our customers by raising the prices of our products.

We generally purchase from our suppliers on an order-by-order basis. Our procurement contracts or purchase orders placed with our suppliers generally contain the specifications and quantity of the products to be purchased, pricing terms, payment terms, delivery arrangement and our quality requirements. The general lead time from the placing of orders to our suppliers to the delivery of domestically processed products and imported finished products to our warehouses is generally within 60 days and around three to six months, respectively. The following table sets out the major terms of the agreements with our suppliers for processing and packaging services:

Duration	Typically one year
Purchase price and minimum purchase commitment	The agreements generally include terms regarding unit price, specifications of the products, costs of packaging materials, service fees and delivery costs. We may be required to purchase a minimum quantity per order from the suppliers.
Payment method	Bank transfer or telegraphic transfer
Credit term	Certain percentage of purchase amount payable upon signing of contract, arrival of goods at a Chinese port and/or delivery of the products; or 100% advance payment
Quality assurance and product return	The quality of products delivered to us by our supplier should meet the requirements set out in the agreement and the standards of the relevant PRC laws and regulations. Our supplier is also obliged to conduct product testing or provide us with product test reports issued by a third party. We have the right to return and exchange products supplied by our suppliers if there is any defect in product quality. We may engage a qualified third party to conduct product testing and if the products are found defective, we are generally entitled to a full refund.
Compliance with laws and regulations	Our suppliers and us must comply with all applicable standards, laws and regulations in relation to various aspects such as product quality and the advertising and promotion of the products.
Delivery cost	Our suppliers are responsible for the delivery costs in general.
Termination	The contract can generally be terminated by either party by providing up to six months' notice to the other party. In some agreements, either party can terminate the agreements immediately if there is any breach of material terms of the agreements. In some cases, we have the right to terminate the agreement if the products manufactured by our suppliers are found to be defective in quality by a third party.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulties in identifying alternative suppliers, nor experience any material dispute with our suppliers, any disruption, shortage or delay in the supply of our raw materials or finished goods which may materially and adversely affect our operations and financial conditions.

Background of Shanghai Trilives

For FY2021, FY2022, FY2023 and 6M2024, Shanghai Trilives was our largest supplier and our purchases from it accounted for approximately 56.8%, 42.6%, 49.6% and 48.5% of our total purchases, respectively. Shanghai Trilives is a company established in the PRC in 2013 engaging in imported food and nutraceutical material distribution in the PRC and the provision of contract manufacturing services for import and export products. It is an independent third party and its shareholders and directors have no relationship with our Directors and Controlling Shareholders. According to Frost & Sullivan, the market share of Shanghai Trilives in the imported algal oil DHA product market in the PRC was approximately 15.0% in 2023.

Our relationship with Shanghai Trilives

We have a long history of business relationship with Shanghai Trilives since 2013. During the Track Record Period, Shanghai Trilives was our supplier for our New Zealand DHA Products. As confirmed by our Directors, in 2013, we were introduced to Shanghai Trilives through a raw material supplier. For the commercial rationale to purchase finished products from Shanghai Trilives, please refer to the paragraph headed "Our Purchases — Procurement of products from our suppliers — Algal oil DHA products — Commercial rationale for our Group to procure New Zealand DHA Products from Shanghai Trilives" in this section.

Our agreements with Shanghai Trilives

The salient terms of the agreements are set forth below:

Term	One year
Products to be procured	Finished algal oil DHA products
Payment terms	• Advance payment of 40% of the contract sum within seven business days upon signing of contract; • 40% of balance payable upon arrival of products at a Chinese port and before customs declaration by Shanghai Trilives; • 10% of balance payable within seven business days upon delivery of products to our warehouses and our confirmation of quantity and packaging quality;

	• 10% of balance payable upon our receipt of sanitary certificate
Packaging	Shanghai Trilives shall be responsible for and delivering plastic bottles to the New Zealand Processing Company.
Confidentiality	Both parties have the obligation to keep the design of the plastic bottles, transaction prices and other cooperation details confidential. In particular, Shanghai Trilives shall indemnify our loss resulting from its disclosure of our products' formula or prices to other third parties.
Renewal	No express provision
Other terms	Shanghai Trilives guarantees that the products supplied by it shall comply with the relevant market access requirements for imported food. It also warrants the reliability and the safety of the products, which shall comply with national regulations and corporate standards as well as requirements specified by the labels on the plastic bottles.

To ensure that the New Zealand Processing Company would use algal oil DHA supplied by DSM Group in our New Zealand DHA Products, our Group entered into a product quality guarantee agreement in July 2020 with Shanghai Trilives, pursuant to which:

(i) Shanghai Trilives should enhance the supervision and examination on the New Zealand Processing Company, covering the processing process, quality control, warehousing, logistics as well as import and export, in order to ensure that the finished algal oil DHA products are produced with raw materials designated by our Group, including algal oil DHA supplied by DSM Group;

(ii) if the New Zealand Processing Company has used any raw materials from any suppliers other than those designated by our Group, our Group has the right to claim against Shanghai Trilives;

(iii) our Group has the right to request Shanghai Trilives to conduct, or provide full assistance to our Group for conducting, supervision and examination on the manufacturing of our products at the New Zealand Processing Company, including the right to (a) conduct onsite examination of the manufacturing facilities of the New Zealand Processing Company regularly or on an ad hoc basis; (b) request Shanghai Trilives to provide documents or materials which can prove the origin of the raw materials used by the New Zealand Processing Company; and (c) conduct verification with the ultimate raw material supplier; and

(iv) if Shanghai Trilives breaches the product quality guarantee agreement, our Group has the right to refuse payment to Shanghai Trilives or demand refund from Shanghai Trilives, depending on the circumstances, and request Shanghai Trilives to pay our

Group liquidated damages of US$200,000. If our Group faces any complaint, report, litigation, arbitration, administrative penalty and any possible legal proceedings for the reason that the raw materials of the finished algal oil DHA products processed by the New Zealand Processing Company are not those designated by our Group, Shanghai Trilives should be responsible for all claims for damages against our Group and compensate our Group for all other losses that we may suffer. If the aforesaid reason is one of the reasons leading to the legal proceeding(s) faced by our Group, Shanghai Trilives may still be responsible for compensating our Group for part of the damages and other losses suffered by our Group according to the actual situation.

We signed a tripartite framework agreement with Shanghai Trilives and the New Zealand Processing Company in August 2022 for a term of ten years, the salient terms of which include (i) our Group shall procure New Zealand DHA Products from Shanghai Trilives; and (ii) Shanghai Trilives engages New Zealand Processing Company to process the New Zealand DHA Products. The tripartite framework agreement does not set out substantive contractual terms of procurement, for example, the intended or minimum purchase volume per annum, any quantitative procurement commitment, the indicative price range or the delivery arrangement. Instead, it was purported to demonstrate the parties' mutual intention to collaborate in the long term.

Reliance on Shanghai Trilives is not expected to affect our long-term sustainability

Our Directors believe that our reliance on Shanghai Trilives would not affect our business operations, prospects and sustainability after taking into account the following reasons:

We have maintained a long and stable relationship with Shanghai Trilives

We have a long history of business relationship with Shanghai Trilives since 2013 and have maintained good relationship with it. Throughout years of cooperation, Shanghai Trilives has provided stable and reliable supply of products to us. Our Directors confirm that our Group has not encountered any material delay in the import and delivery of products by Shanghai Trilives and is not aware of any financial liquidity problem since the commencement of our business relationship with Shanghai Trilives. We enter into a sale and purchase agreement with Shanghai Trilives for the procurement of our products annually. In August 2022, we signed an agreement with Shanghai Trilives and the New Zealand Processing Company, pursuant to which Shanghai Trilives committed to engage the New Zealand Processing Company to process finished algal oil DHA products for us for a term of ten years. This indicated the parties' intention and willingness to maintain a long-term business relationship with us. Our Directors believe that it is unlikely that Shanghai Trilives will terminate the cooperation with our Group in the near future which may affect our business operations and financial position.

We have continuously identified potential alternative suppliers

As we are not contractually bound to procure from Shanghai Trilives exclusively, we maintain flexibility in the selection of our suppliers. According to Frost & Sullivan, there is a large number of suppliers who are capable of providing finished algal oil DHA products which are processed overseas for the PRC market. We identify such potential alternative suppliers from time to time and explore business opportunities with them. As at the Latest Practicable Date, we had liaised with two alternative suppliers ("**Alternative Suppliers**") which were established in the PRC in 2015 and 2016, respectively. Both of them engage in the import and export of raw materials of food products. Their shareholders and directors are independent third parties to our Group and have no relationship with our Directors and Controlling Shareholders. Our Directors had considered, among others, the quality and safety of the finished algal oil DHA products they can provide, price, lead time, and their capability to comply with the laws and legal procedures of the importation of finished products. Our Directors were satisfied that they were capable of providing us with quality finished algal oil DHA products and our Group had signed a framework agreement with one of them. Given Shanghai Trilives' reliability and good and long term business relationship with us, our Directors do not intend to shift to other suppliers unless we are unable to procure from Shanghai Trilives with terms favourable and acceptable to us. However, in the event that Shanghai Trilives ceases its business relationship with us for any reason, we believe that we would be able to readily purchase similar products from the Alternative Suppliers at comparable costs, and our business operations will not be materially affected.

According to Frost & Sullivan, our practice of engaging Shanghai Trilives to source and import finished algal oil DHA products for us from overseas countries is consistent with the industry norm and common market practice, having considered: (i) sourcing and importing finished algal oil DHA products require technical know-how and effort in handling various time-consuming and burdensome processes, including (a) liaising with various parties overseas for raw materials procurement; (b) liaising with the New Zealand Processing Company regarding the production schedules and manufacturing arrangement; (c) arranging quality testing by independent third party laboratory; (d) trouble shooting for issues arisen during the procurement; (e) preparing export and import declaration forms and arranging customs clearance procedures; and (f) arranging domestic logistics services overseas and importation from overseas to the PRC; and (ii) leading brands of nutritional products usually focus on their resources on brand development and managing different distribution channels and would usually outsource the sourcing management and importation of nutritional products to the PRC.

Based on (i) the grounds stated above; (ii) there has not been any dispute, disagreement, litigation, complaint or any other factors between Shanghai Trilives and our Group which may hinder our ongoing business relationship; (iii) confirmation from Frost & Sullivan that the business operations between our Group and Shanghai Trilives are consistent with common market practice and industry norm, and there are potential alternative suppliers providing comparable services similar to Shanghai Trilives in the market; and (iv) the fact that our Group has a contingency plan to engage the Alternative Suppliers in the event that Shanghai Trilives terminates its cooperation with us, our

Directors are of the view that (a) there are no material indications suggesting that the relationship between our Group and Shanghai Trilives will materially adversely change or be terminated in the foreseeable future; and (b) our Group has demonstrated its ability to find alternative suppliers to replace Shanghai Trilives, and is and will be able to effectively mitigate its exposure to any material adverse changes to or termination of the relationship with Shanghai Trilives.

Pursuant to the framework agreement that we entered into with one of the Alternative Suppliers, for a term of ten years, such Alternative Supplier shall (i) procure raw materials from overseas raw material suppliers for use in our products according to our instructions; (ii) handle importation and commodity inspection declaration procedures; and (iii) prepare product test reports, import declaration forms and sanitary certificates. There is no minimum purchase requirement under such framework agreement.

Furthermore, in order to secure a stable processing capacity of our finished algal oil DHA products that are processed overseas as an alternative to the New Zealand Processing Company through Shanghai Trilives, we have entered into framework agreements with two other processing companies in the U.S. ("**Alternative Processing Companies**") for a term of 10 years, under which the processing companies shall produce finished algal oil DHA products using raw materials supplied by our designated suppliers. There is no minimum purchase requirement under such framework agreements. One of the Alternative Processing Companies was established in the U.S. in 2006 and engages in the manufacture of softgels for nationwide retailers and household supplement brands while the other engages in the manufacture and packaging of OTC drugs and nutritional products such as vitamins and minerals, herbs and botanicals as well as sports nutrition products. Their shareholders and directors are independent third parties to our Group and have no relationship with our Directors and Controlling Shareholders. Further, the Alternative Suppliers and the Alternative Processing Companies are independent from each other and do not have any relationship between them.

Relationship with DSM Group

Our Group has been using the trademarks of DSM Group on our algal oil DHA products since 2012. Our Group first entered into a trademark licensing agreement with DSM Group in 2018, pursuant to which DSM Group granted to us a non-exclusive right to use its trademarks on our algal oil DHA products in accordance with certain terms and conditions. According to the trademark licensing agreements, we agree to use the trademarks of DSM Group on our algal oil DHA products. Under such agreements, (i) we are obliged to, on an annual basis, supply DSM Group with samples of each of our products which contain raw materials provided by DSM Group and copies of all packaging, labelling, advertising, promotional or other materials, which employ its trademarks directly or indirectly; and (ii) DSM Group may at any time examine and take samples of any of our products in connection with the use of its trademarks. If DSM Group determines that any such samples does not contain algal oil DHA supplied by DSM Group, it shall notify us and we shall immediately desist from using its trademarks in connection with our products. Our Directors confirm that, during the Track Record Period and

up to the Latest Practicable Date, we had not received any notice from DSM Group requesting us to desist from using its trademarks. We have successfully renewed the trademark licensing agreement with DSM Group in April 2020 and March 2023.

Salient terms of the latest trademark licensing agreement are as follows:

Date of agreement	13 March 2023
Validity period	Until 29 February 2024 unless terminated by the parties. The agreement may be terminated by either party by (i) giving the other party six months written notice of termination for any reason or (ii) giving the other party written notice with immediate effect if the other party, after given written notice of breach of the agreement by the terminating party, fails to cure such breach within one month after receiving such written notice of breach from the terminating party.
Major terms	(a) DSM Group grants to us a non-exclusive, limited right to use the trademarks solely on or in connection with our algal oil DHA products in the PRC, including Hong Kong. (b) We agree that we will use the trademarks only (1) on or in connection with our products which contain raw materials provided by DSM Group; (2) when the conditions for use as set forth in guidelines devised by DSM Group are met; and (3) when the only source of the ingredients being used to grant us the rights to use the trademarks is supplied by DSM Group. (c) We shall supply DSM Group with, on an annual basis, samples of each of our products which contain raw materials provided by DSM Group and copies of all packaging, labelling, advertising, promotional or other material, which employs its trademarks, directly or indirectly. We further agree that DSM Group may at any time examine and take samples of any of our products in connection with which its trademarks are used or are to be used by us. If DSM Group determines that any such samples does not contain raw materials provided by DSM Group, it will so notify us and we shall immediately desist from using its trademarks in connection with our products.

	(d) We agree to secure the prior written approval of DSM Group of any and all of our packaging, labelling, advertising, promotional or other materials which contain, bear, display or employ its trademarks, directly or indirectly.
Consideration	The licence fee for the trademarks shall be considered covered by the purchase price paid for the raw materials provided by DSM Group, and therefore no separate licence fee shall be due.

Given the long term trademark licensing arrangement between our Group and DSM Group, our Directors confirm that they do not foresee any difficulties in renewing the trademark licensing agreement with DSM Group when the latest agreement expires.

Litigation in the U.S. involving Confidence Group

In May 2019, the U.S. Department of Justice on behalf of the U.S. Food & Drug Administration (the "**FDA**") filed a litigation (the "**U.S. Litigation**") in the United States against Confidence, U.S.A., Inc. ("**Confidence USA**") (which is a member of Confidence Group) and its management members. The FDA alleged that Confidence USA failed to comply with the FDA's Good Manufacturing Practices ("**cGMP**") regulations in the preparation, packaging, and holding of its dietary supplement products, thereby rendering such product adulterated in violation of the Federal Food, Drug and Cosmetic Act of the U.S. (the "**FD&C Act**"). The allegedly adulterated foods at issue were described generally as dietary supplements produced in New York and sold by Confidence USA throughout the U.S., with the raw materials received from outside of New York used in the manufacturing of such dietary supplements. As stated in the judgement of the U.S. Litigation dated 28 January 2021 (the "**Judgement**"), under the FD&C Act, dietary supplement is deemed to be adulterated if it has been "prepared, packed, or held under conditions that do not meet current good manufacturing practice regulations.

As at the Latest Practicable Date, the U.S. Litigation had been fully adjudicated and concluded by the U.S. court.

Temporary suspension and resumption of operation

In March 2021, the U.S. court entered into an injunction (the "**Injunction**") against Confidence USA that, amongst others, prohibited Confidence USA from operating the business until an independent cGMP expert be retained by Confidence USA and that the expert, among other things, certified in a report to be submitted to the FDA that Confidence USA has corrected all violations and is in compliance with all cGMP requirements. Confidence USA appointed a cGMP auditor (the "**cGMP Auditor**") for this purpose.

Subsequently, the FDA was satisfied that Confidence USA has satisfied the requirements set forth in the Injunction and may therefore resume operations. As such, Confidence USA has resumed its operation in June 2021 (i.e. three months after the Injunction). Our Directors confirmed that no products or orders of our Group were affected by the abovementioned suspension of operations of Confidence USA.

Subsequent cGMP audit reports of Confidence USA

Apart from the abovementioned suspension of operations, the Injunction also required Confidence USA to undergo additional independent cGMP audits every six months, for five years from the date of the Injunction (i.e. at least until 2026) and at least once every calendar thereafter. Confidence USA must submit reports for such audits to the FDA. The results of those periodic audits must indicate that Confidence USA remains in compliance with cGMP regulations, otherwise it must correct the non-compliance within certain period of time. The FDA may also conduct its own inspections at any time to confirm such compliance. Confidence USA's failure to conduct and report the required periodic audits, any findings of regulatory non-compliance observed during such audits or during an FDA inspection, or any other failure to comply with the terms of the Injunction may result in further administrative and/or judicial proceedings against Confidence USA which could lead to another shutdown of its business operations and other penalties.

Based on the semi-annual cGMP audit reports subsequent to the date of the Injunction (the "**cGMP Audit Reports**"), the cGMP Auditor has reviewed the operational activities performed by Confidence USA in the manufacture, packaging and distribution of dietary supplement products and opined that Confidence USA was in compliance with the relevant cGMP regulations. As confirmed by Confidence USA, subsequent to its resumption of operation following the Injunction (i) the FDA has not conducted an inspection on Confidence USA; and (ii) no further action was taken by the FDA.

The U.S. Litigation has been fully adjudicated and concluded by the U.S. court

Having reviewed, among other things, (i) the Judgement; (ii) the relevant court documents and FDA correspondence relating to the U.S. Litigation; and (iii) the cGMP Audit Reports and conducted a site visit at Confidence USA, the U.S. Legal Counsel is of the view that:

(i) Confidence USA satisfied the FDA as to its cGMP compliance in or about June 2021, such that the Injunction no longer prohibited Confidence USA from conducting its business and providing the dietary supplement products to our Group;

(ii) it does not appear that any adverse action has been taken against Confidence USA by the FDA since the Injunction;

(iii) the U.S. Litigation has been concluded, subject to the ongoing requirement of the Injunction (i.e. undergoing additional independent cGMP audits every six months for five years from the date of the Injunction and then annually thereafter); and

(iv) Confidence USA has complied in material respects with the Injunction permitting it to continue its business operations with respect to manufacturing of dietary supplements.

Involvement of Confidence Group in the processing of our finished algal oil DHA products and our Group's rectifications

The processing of algal oil DHA into our finished algal oil DHA products mainly included (i) encapsulation of the DHA (algal oil) into softgel; (ii) drying of the softgels containing the algal oil DHA; and (iii) packaging of the softgels into the containers.

As far as our U.S. DHA Products are concerned, during the Track Record Period, Confidence Group arranged third-party processing companies located in the U.S. for (a) encapsulation of the algal oil DHA into softgel; and (b) drying of the softgel containing the algal oil DHA, while the packaging of the softgels (containing algal oil DHA) into the containers took place at the production facilities of Confidence Group. Such third-party processing companies, which are located in the U.S., procured the algal oil DHA from DSM Group.

Upon becoming aware of the U.S. Litigation, we immediately formed an internal committee comprising Mr. Wang (our Chairman, Chief Executive Officer and executive Director), Mr. An Yong (our general manager), Ms. Sun Mei (our financial manager) and Mr. Wang Kan (our head of external trade) and took the following actions:

(i) we held regular conference calls and online meetings with Confidence USA to understand the allegations against Confidence USA;

(ii) we inquired with Confidence USA for the root cause of the U.S. Litigation;

(iii) we reviewed the Judgement and noted that the products based on traditional Chinese medicine were the subject of the majority of the FDA's violation findings, which was not the algal oil DHA products supplied by Confidence Group to us;

(iv) we reviewed our sales forecast and our inventory level in respect of our finished algal oil DHA products to assess the impact of any shortage of supply to meet our demand; and

(v) we inquired with Confidence USA for their actions taken to mitigate the recurrence of similar incident in the future.

Despite that Confidence Group was only involved in the packaging of our U.S. DHA Products during the Track Record Period, our Directors considered at the material time that there was a need to diversify the source of our finished algal oil DHA products that are processed overseas. In addition, prior to September 2019, we substantially adopted general trade model in respect of our U.S. DHA Products, pursuant to which we purchased U.S. DHA Products manufactured by Confidence Group from Shanghai Trilives. In view of the Sino-U.S. trade conflict at the material time and the increased tariffs imposed by the PRC government on products imported from the U.S., we explored to tap into cross-border e-commerce model for procurement. For details of our cross-border e-commerce model, please refer to the paragraph headed "Our purchases — Algal oil DHA products" in this section. As a result, our Group approached Shanghai Trilives (from which we purchased our U.S. DHA Products prior to the Track Record Period) and requested it to recommend an alternative processing

company/factory which is located outside the U.S., and Shanghai Trilives proposed the New Zealand Processing Company to us. We commenced our procurement from New Zealand in September 2019 under general trade model in which we procure our New Zealands DHA Products manufactured by the New Zealand Processing Company from Shanghai Trilives.

For details of background of Shanghai Trilives and our procurement model in New Zealand, please refer to the paragraphs headed "Our Suppliers — Background of Shanghai Trilives" and "Our Purchases — Procurement of products from our suppliers — Algal oil DHA products — (a) New Zealand DHA Products" in this section, respectively.

Enhanced internal control measures by our Group for selecting suppliers

Following the U.S. Litigation, our Group has implemented the enhanced internal control measures for selecting our direct and indirect suppliers for our finished algal oil DHA products, including:

(i) conducting a site visit of the processing companies by our senior management or an independent professional party to monitor their production processes;

(ii) obtaining and reviewing evidence of cGMP compliance such as cGMP certificate and cGMP audit reports;

(iii) obtaining and reviewing the production and quality control manuals of the processing companies; and

(iv) conducting background checks of the processing companies by our senior management or an independent professional party.

Views of our Directors and the Sole Sponsor

Given that (a) at the material time the process of the encapsulation of the algal oil DHA into softgels was not conducted at the production facilities of Confidence Group but the production facilities of third-party processing companies and these third-party processing companies have obtained the relevant cGMP accreditation; (b) Confidence USA managed to resume its operation shortly after the Injunction; and (c) our Group had already established procurement model of New Zealand DHA Products at the material time, our Directors consider that our Group was not materially and adversely affected by the U.S. Litigation.

The Sole Sponsor concurred with the views of our Directors that our Group was not materially and adversely affected by the U.S. Litigation, having considered the following additional factors:

(a) according to the Judgement, the subject of the majority of the FDA's violation findings was products based on traditional Chinese medicine, which do not concern the algal oil DHA products supplied by Confidence Group to our Group.

(b) as disclosed in the Judgement, Confidence USA retained a consulting firm to assist Confidence USA with cGMP compliance, and the consulting firm concluded after its inspection in 2020 that the activities performed by Confidence USA in the manufacture of dietary supplement products are in conformance with the regulations;

(c) as disclosed in the Judgement, Confidence USA took many remedial measures after being informed of the government's intention to litigate, which included implementing recommendations of its third-party cGMP compliance consultant;

(d) the U.S. Legal Counsel is of the view that the U.S. Litigation has been concluded, subject to the ongoing requirements of the Injunction (i.e. undergoing additional independent cGMP audits every six months for five years from the date of the Injunction and then annually thereafter);

(e) according to the cGMP Audit Reports, the operational activities performed by Confidence USA in the manufacture, packaging and distribution of dietary supplement products and opined that Confidence USA was in compliance with the relevant cGMP regulations; and

(f) Confidence USA satisfied the FDA as to its cGMP compliance in or about June 2021, such that the Injunction no longer prohibited Confidence USA from conducting its business and providing the dietary supplement products to our Group.

QUALITY CONTROL

We do not have our own processing facilities, and we procure finished products from our suppliers. We have implemented the following quality control measures over the use of raw materials and the finished products:

(a) We generally require all processing companies of our nutritional products to possess either GMP or equivalent industry qualifications or food production licences to ensure that the products processed by them meet the required industry standards.

(b) Our procurement and international trade manager or our general manager shall be responsible for inspecting our suppliers and the processing companies of our nutritional products as and when necessary. During the inspection, our manager would (1) review the GMP or equivalent industry qualifications or food production licences of the suppliers and/or the processing companies; (2) inspect the processing facilities and make enquiries as to any quality concerns; (3) physically examine the production process with particular attention on whether there is any risk of unauthorised substances being added to our nutritional products and whether there is any risk of adulteration in our nutritional products; (4) inspect the raw materials stored at site to see if they correspond with the certificate of analysis issued by our designated raw material supplier; and (5) obtain samples of products for conducting our independent laboratory test by our designated laboratory.

During the Track Record Period, due to travelling restrictions imposed by the relevant governments in response to COVID-19, our managers were unable to physically attend the premises of our overseas suppliers and processing companies. Instead, our management maintained communications with our overseas suppliers to monitor the processing of our nutritional products. In 2023, after the lifting of COVID-19 travel restrictions, our general manager resumed physical inspection of our overseas suppliers and the processing companies of our nutritional products in New Zealand and the U.S. During the Track Record Period, we conducted six site visits to our overseas suppliers and processing companies, all of which were conducted after lifting of traveling restrictions due to COVID-19.

(c) As we market, sell and distribute nutritional products under our proprietary brands by adopting an OEM model, we designated the suppliers for the key ingredients to ensure the quality of our products. Such designated suppliers for the key ingredients are reputable overseas suppliers. For instance, our suppliers for our algal oil DHA products are required to use algal oil DHA supplied by DSM Group, while our suppliers for our probiotics products are required to use key raw materials supplied by the Probiotics Raw Material Supplier, both of which are renowned overseas suppliers in the industry.

(d) For each batch of production, our head of external trade would obtain and review the production records from the processing companies:

  (i) In particular, for our algal oil DHA products, we would check the certificate of analysis issued by DSM Group (which would be signified by the mark "life'sDHA" as well as the purchase orders to DSM Group by the processing company to ascertain the algal oil materials that were sourced from DSM Group ingredients.

  (ii) We would review the production batch records and sight for the review and approval trails by the manufacturing supervisor and quality control personnel of the processing company.

  (iii) We also would review the laboratory test report and check, among others, (1) the volume of DHA contents; and (2) whether there was any contamination by microorganism or toxics such as solvent residual and lead.

(e) On a sampling basis, we would conduct an independent laboratory test by our designated laboratory and compare the results with that of the processing company.

(f) We only accept products that meet the specification and quality standards as required by us. If the packages and descriptions of the products are not in line with the purchase order, we will notify the suppliers as soon as possible for product return.

In addition to quality control measures implemented by our Group, in order to further ensure that the New Zealand Processing Company utilises raw materials supplied by DSM Group to produce our finished algal oil DHA products, our Group had entered into a product quality guarantee agreement with Shanghai Trilives. Pursuant to such agreement, we (i) have the

right to request Shanghai Trilives to provide full assistance to our Group for conducting supervision and examination on the manufacturing of our products at the New Zealand Processing Company; (ii) requested Shanghai Trilives to supervise the purchase of raw materials and the manufacturing process of our finished algal oil DHA products to ensure that our finished algal oil DHA products are produced by the New Zealand Processing Company with raw materials supplied by DSM Group; and (iii) our Group had contractual right to claim against Shanghai Trilives for any breach of the aforesaid agreement. Our Directors are of the view that the agreement serves to deter non-compliance or non-performance of the obligations of Shanghai Trilives and the New Zealand Processing Company. For details, please refer to the paragraph headed "Business — Our Suppliers — Our agreements with Shanghai Trilives" in this section.

As confirmed by our Directors, our Group did not receive any material complaint from our customers in relation to the quality and safety of our products or any complaint from governmental authorities regarding allegations about the quality and safety of our products during the Track Record Period.

The Sole Sponsor is of the view that the above quality controls measures of our Company are adequate and effective in monitoring our product quality and the source of our raw materials, having considered:

(i) during the Track Record Period and up to the Latest Practicable Date, our products had not been subject to any investigation, product recall or material customer's complaints relating to quality issues;

(ii) our Group is positioned as a proprietary brand owner, with our primary focus to promote our brands and to explore sales channels to sell our nutritional products. Our Group outsources the processing for producing our nutritional products to Independent Third Parties. Our quality control measures encompass direct (i.e. through selection of processing companies, conducting site visits and independent laboratory tests) and indirect (through reviewing production records of the processing companies to ascertain the source of our raw materials and that the processing companies have conducted quality control reviews and laboratory tests on our nutritional products) measures;

(iii) as the processing companies for our products are all Independent Third Parties and not a member of our Group, in the event of any quality issue arises, we can more easily switch to other processing companies. As such, the processing companies will be driven to adhere to high degree of quality control in order to secure orders for our products;

(iv) we maintain multiple processing companies for our primary products, namely algal oil DHA products. Hence, those processing companies will compete in terms of quality control to secure orders for our products;

(v) our Company's independent internal control consultant has reviewed the above quality control measures and is of the view that they are adequate and effective;

(vi) our capability in maintaining high degree of quality control over our products is demonstrated by the fact that DSM Group, being the ultimate raw materials supplier of our algal oil DHA products (i.e. our major products during the Track Record Period in terms of revenue and sales volume), authorised us to print the trademarks of DSM Group on the packagings of our algal oil DHA products to indicate that our algal oil DHA products were made from algal oil DHA supplied by DSM Group, and such authorisation has not been revoked or withdrawn since 2012; and

(vii) according to Frost & Sullivan, we are the largest domestic brand in terms of retail sales value of algal oil DHA products made from imported raw materials. If there are quality issues with our algal oil DHA products, our Group would not have achieved such a market share.

INVENTORY CONTROL AND MANAGEMENT

Our finished products that are processed in New Zealand and Hong Kong are delivered to and stored in our warehouses in Shanghai after being packaged into packing boxes and affixed with anti-counterfeit labels by Shanghai Yicai. For our products processed in the PRC, our raw materials are delivered to the processing companies in the PRC for processing, then to Shanghai Yicai for packaging and affixing anti-counterfeit labels, and the finished products are delivered to our warehouses in Shanghai by Shanghai Yicai. Our products that are processed in the U.S. and Hong Kong were sold to e-commerce companies and were delivered to the airports in the PRC designated by the e-commerce companies, and such products would not be delivered to and stored in our warehouses. During the Track Record Period, all our warehouses were located in Shanghai, the PRC and were leased from an independent third party.

We adopt weighted average cost method to calculate the cost of our inventories. For details of our accounting policy on inventories, please refer to Note 3 to the Accountants' Report. We strive to maintain an inventory level that is sufficient for our sales for around three to six months for our products on average. During the Track Record Period, we responded to the then uncertainty in terms of supply and timing of delivery for our purchases brought by the outbreak of COVID-19. During the second quarter of FY2022, there was a large-scale lockdown in Shanghai due to COVID-19 outbreak in which it was uncertain at the material time whether a further lockdown with similar scale would recur, and we significantly increased our purchases during FY2022.

We have an electronic system to record and monitor the inventory level to minimise the risk of accumulation of inventory. We typically inspect the inventory list of the warehouses every week and conduct physical sample stocktake of our inventories every month, and a full physical stocktake every half year, during which damaged and close-to-expire inventories are identified. For inventories which will expire within six months, we will arrange for sales and promotional campaigns to promote sales. Our Directors confirm that our Group had not experienced material shortage of inventory during the Track Record Period.

Our net inventories amounted to approximately RMB24.5 million, RMB69.4 million, RMB62.3 million and RMB63.0 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively, and our inventory turnover days was approximately 98.1 days, 269.0 days, 215.2 days and 279.7 days (annualised) for FY2021, FY2022, FY2023 and 6M2024, respectively. To better manage our inventory level and inventory turnover days, we have implemented the following enhanced inventory management policy:

(i) our sales department would conduct sales forecast for at least the coming six months based on factors including (i) historical sales volume; (ii) discussion with our customers as to recent trends of market demand; and (iii) industry news;

(ii) our sales department and procurement team would have regular meetings to monitor whether we have sufficient inventory to meet the expected upcoming demand of our products so as to determine when and at what quantity we need to make our purchase orders; and

(iii) our procurement team would inquire our suppliers from time to time of their upcoming production capacity and production schedule so as to plan the timing for making our purchase orders.

For details of our inventories and analysis of our inventory days during the Track Record Period, please refer to the paragraph headed "Financial Information — Description of certain line items in the consolidated statements of financial position — Inventories" in this document.

PRICING POLICY

The price that we offer to our customers is determined by us based on factors including the procurement costs of our raw materials and finished products, the expected profit margins and level of sales, the channel in which we sell and distribute our products, sales and marketing cost, and perceived market demands. Our selling price to our customers which are e-commerce companies and regional distributors is determined by us based on factors such as the years of relationship and negotiation between our Group and them, the quantity of the products being purchased by them and the market trend, which is usually based on a discount to the reference retail price of our products. We have set a reference retail price for each of our products as pricing guideline for sales from regional distributors to retail customers.

SEASONALITY

Our Directors are of the view that our business does not exhibit any significant seasonal fluctuations.

RESEARCH AND DEVELOPMENT

As we source finished products from our product suppliers, we did not incur any material research and development expenses during the Track Record Period.

MARKETING AND PROMOTIONAL ACTIVITIES

Our sales and marketing department is responsible for devising marketing strategy and plans to promote our products. During the Track Record Period, we promoted our brands and products through online shopping platforms, maternity and child websites, celebrities and bloggers, participating in exhibitions and conferences, and sponsoring academic conferences and seminars targeting the consumers of our products.

Also, we engage our regional distributors to distribute and promote our products in their respective authorised distribution regions in the PRC. In general, we would bear the expenses for all online marketing and promotional activities as well as some offline marketing and promotional activities in relatively large scale (such as participating in exhibitions like Children Baby Maternity Expo (CBME孕嬰童展) in different locations in the PRC) to promote our brands, products and corporate image, while our regional distributors would bear the expenses for local small scale events (such as conferences and product information seminars for consumers). We have adopted the following measures to regulate the marketing and promotion of our products and brands by our regional distributors: (i) we generally provide our corporate and product information to our regional distributors for their preparation of promotional materials. According to the distribution agreements we entered into with our regional distributors, the promotional materials to be published by them to the public shall be consistent with the information provided by us, and we reserve the right to request them to submit the promotional materials to us for prior review and approval; (ii) we also reserve the right to claim economic compensation from them with respect to any disputes and compensation caused by the publication of unauthorised product information; (iii) we provide product trainings and updates to our regional distributors from time to time; and (iv) our sales and marketing staff maintain contact with our regional distributors and handle their enquiries on product promotion on a timely basis. We would conduct random physical inspection of the events hosted by our regional distributors and ad hoc internet searches to inspect their promotional materials.

As for our major online sales channels, our sales and marketing department maintains and updates our product portfolio and specifications on various online shopping platforms, handles online sales, formulates and implements online promotional activities. We usually organise promotional events from time to time on particular dates which are the PRC's major shopping festivals such as 18 June, 11 November and 12 December which help boost the sales of our products.

To meet potential new customers and distributors and to promote our brands and our products, we participate in exhibitions from time to time. For instance, in 2020, 2021 and 2023, we participated in the annual Children Baby Maternity Expo (CBME孕嬰童展) held in Shanghai as exhibitor by setting up our booth. In 2021 and 2022, we also participated in the Dongxiao China Summit* (動銷中國峰會) organised by China Baby Industry (中童傳媒) in various provinces in the PRC.

During the Track Record Period, we engaged marketing companies to arrange to distribute contents in respect of our brands and products through celebrities on the internet and their official accounts accessible by the public on various popular social media platforms in the PRC such as Douyin, Xiaohongshu, WeChat and Weibo etc.

In addition, during the Track Record Period, we had sponsored various live streaming events and professional conferences such as conferences for medical and health practitioners, and product information seminars for professionals or industry players.

AWARDS AND RECOGNITIONS

Our Group has received a number of awards over the years which include the following:

Name of award	Year	Issuer of the award
Parenting Net Mothers' Reputable Choice in 2015 — Popular Pregnancy Preparatory Product* (2015年度育兒網媽媽口碑之選 — 年度人氣備孕用品)	2015	Parenting Net* (育兒網), a parenting website in the PRC
2017 Product Quality Award* — Golden Wheat Awards (2017年度母嬰類品質類大獎 — 金麥獎)	2017	Taobao World Media Co., Ltd. (淘寶天下傳媒有限公司)
Consumers' Favourite Nutritional Product Brand* (消費者最喜愛的營養品品牌)	2017	Leyou Babies to Kids (樂友孕嬰童)
2019 Nutrition Box TOP 10 Award* (2019營養盒子嘉選 — TOP10大獎)	2019	Xinyingyang* (新營養)
The 5th Cherry Award — Children and Infant Nutritional Product Brand Annual Best Performance Award* (第五屆櫻桃大賞 — 年度嬰兒營養品品牌最佳表現力大獎)	2019	Myguancha.com (母嬰行業觀察) and Cherry Award Assessment Committee* (櫻桃大賞評委會)
The 6th Cherry Award — Children and Infant Nutritional Product Brand Annual Best Performance Award* (第六屆櫻桃大賞 — 年度嬰幼兒營養品品牌最佳表現力大獎)	2020	Myguancha.com (母嬰行業觀察)
China Children Industry Award — Annual Best Brand Award* (中國嬰童產業原點獎 — 年度最佳品牌力獎)	2020	China Children Industry Award Committee* (中國嬰童產業原點獎組委會)

Name of award	Year	Issuer of the award
Children Baby Maternity Expo 2020 — Prestigious Brand Partner Awards (CBME2020感恩同行共生未來 — 榮耀品牌伙伴獎)	2020	Children Baby Maternity Expo (CBME孕嬰童展)
Babytree Brilliant Awards 2020 — Quality National Brand Award* (Babytree寶寶樹金樹獎 — 2020年度優質國民品牌獎)	2020	Babytree (寶寶樹), a maternal and infant social platform
China Nutritional Products Ginkgo Award* — Industry-wide Sales Prize* (中國營養品銀杏獎 — 行業全域營銷獎)	2021	Beijing Yunxuan Zhongtong Culture Media Co., Ltd.* 北京雲宣中童文化傳媒有限公司 and Maternal and Infant Nutritional Products Commentary* 《母嬰營養品評論》
Parenting Net Mothers' Reputable Choice 2021* — Popular Baby Nutritional Product* (2021年度育兒網橙品清單媽媽口碑之選 — 寶寶用品年度人氣營養品)	2021	Parenting Net* (育兒網), a parenting website in the PRC
Parenting Net Mothers' Reputable Choice 2021* — Popular Maternal Medicine/ Nutritional Product* (2021年度育兒網橙品清單媽媽口碑之選 — 媽媽用品年度人氣藥品營養品)	2021	Parenting Net* (育兒網), a parenting website in the PRC
Tmall Global Double 11 Shopping Festival 2021* — Growth Engine Award* (2021天貓雙11全球狂歡節 — 增長引擎獎)	2021	Tmall (天貓商城)
Babytree Brilliant Awards 2021 — Reputable Choice Award* (Babytree寶寶樹金樹獎 — 2021年度專業口碑獎)	2021	Babytree (寶寶樹), a maternal and infant social platform
China Children Industry Award — Annual Best Brand Award* (中國嬰童產業原點獎 — 年度最佳品牌獎)	2021	China Children Industry Award Committee* (中國嬰童產業原點獎組委會) and Beijing Yunxuan Zhongtong Culture Media Co., Ltd.* 北京雲宣中童文化傳媒有限公司

Name of award	Year	Issuer of the award
Mothers' Net Reputable Choice of Maternal and Infant Brands 2021* — Baby category — Reputable Brand Awards* (媽媽網2021母嬰品牌口碑榜 — 寶寶類目 • 口碑品質獎)	2021	Mothers' Net* (媽媽網)
The 7th Cherry Award — Children and Infant Nutritional Product Brand Annual Best Performance Award* (第七屆櫻桃大賞 — 年度嬰幼兒營養品品牌最佳表現力大獎)	2021	Myguancha.com (母嬰行業觀察) and Cherry Award Assessment Committee* (櫻桃大賞評委會)
China Nutritional Products Ginkgo Award 2022* — Industry Leader Award* (中國營養品銀杏獎 — 2022年度行業引領獎)	2022	Beijing Yunxuan Zhongtong Culture Media Co., Ltd.* 北京雲宣中童文化傳媒有限公司 and Maternal and Infant Nutritional Products Commentary* 《母嬰營養品評論》
Tmall Children and Infant Food Industry Award 2022* — Item of the Year Award — Infant Nutritional Products* (2022年度天貓嬰童食品行業獎 — 年度超級單品獎 — 年度寶寶營養品)	2022	Tmall (天貓商城)
The 8th Cherry Award — Children and Infant Nutritional Product Brand Annual Outstanding Performance Award* (第八屆櫻桃大賞 — 年度嬰幼兒營養品品牌傑出表現力大獎)	2022	Myguancha.com (母嬰行業觀察) and Cherry Award Assessment Committee* (櫻桃大賞評委會)
FY 2023 Category Captain of the Year* (2023財年天貓國際品類冠軍營)	2023	Tmall (天貓國際)
FY 23 Tmall Global Maternal and Infant Industry Purple Star Thunder Award* (FY 23天貓國際母嬰行業紫曜雷霆獎)	2023	Tmall (天貓國際)

EMPLOYEES

We had a total of 46 employees as at the Latest Practicable Date, most of them are based in Shanghai, the PRC. Set out below is a breakdown of our workforce by function:

Function	Number of employees
Executive Directors and senior management	9
Sales and marketing	13
Accounting and finance	4
Administration and human resources	4
Logistics	16
Total	46

We recruit our employees through different recruitment channels such as posting job openings online. We generally enter into individual employment contracts with each of our employees. The remuneration package of our employees includes basic salary, year-end bonus which is determined based on the years of service. We make contributions for our employees towards five categories of social insurance, including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance in accordance with the PRC social insurance system, as well as housing provident fund in compliance with the relevant PRC laws and regulations.

We provide induction training to all new recruits and departmental training to our employees to enhance their knowledge towards our internal policies, products, market trends and health and safety. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulty in the recruitment and retention of employees.

TRANSFER PRICING ARRANGEMENT BETWEEN NUMANS SALES AND OUR PRC SUBSIDIARIES

During the Track Record Period, our PRC subsidiaries, namely, Gold Nemans, Aumay Dairy, Rujian International and Hontat Nutritional (collectively, the "**PRC Subsidiaries**") provided sales support and administrative services to Numans Sales, i.e. our Seychelles subsidiary. Numans Sales is our subsidiary responsible for purchase and sales for our Group's cross-border e-commerce model. For instance, during the Track Record Period, Numans Sales procured U.S. DHA Products and sold the same to e-commerce companies. For details of our cross-border e-commerce model, please refer to the paragraph "Our purchases — Algal oil DHA products" in this section. As Numans Sales did not have office and employees during the Track Record Period, the PRC Subsidiaries provided sales support and administrative services to Numans Sales and charged Numans Sales service fees. For FY2021, FY2022, FY2023 and

6M2024, the service fee (the "**Service Fee**") charged to Numans Sales amounted to approximately RMB0.3 million, RMB1.0 million, RMB1.1 million and RMB0.6 million, respectively.

We have engaged our Tax Adviser to review the transactions between Numans Sales and the PRC Subsidiaries during the Track Record Period by benchmarking the profit margin ranges derived from comparable companies. Given the functional profile of the parties involved in the transactions, the transactional net margin method was selected as an appropriate transfer pricing analysis methodology. Our Tax Adviser advised that the Service Fee complied with the arm's length principle and as such the transfer pricing arrangement complied with the relevant PRC tax laws.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR GROUP

The outbreak of COVID-19 was first reported in December 2019 and expanded across the PRC and globally. On 11 March 2020, it was declared by the World Health Organization that COVID-19 can be characterised as a pandemic due to rapid increase in the number of cases outside the PRC. Since 2020, governments around the world have implemented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns to mitigate the spread of the COVID-19 pandemic.

Impact on our business operations

As our office and warehouses are located in Shanghai, the PRC, all of our staff were required to work from home in March to June 2022, and delivery of our products was suspended during such period. Regarding work from home arrangement, considering that our business model is not labour intensive, our Directors are of the view that this had no material impact on our operation. Regarding suspension of delivery of our products, our Directors consider that the impact was mitigated taking into account the suspension was only temporary and our Group did not otherwise experience material delay in delivery during the Track Record Period.

During the Track Record Period, our Group did not experience substantial shortage of supply of products from our suppliers. During the Track Record Period, we closely monitored the potential impact of lockdown on our inventory level and adjusted our purchase strategy. For example, during FY2022, we significantly increased our purchase of algal oil DHA products due to the large-scale lockdown in Shanghai for COVID-19 outbreak in 2022 to cater for the then uncertainty in terms of supply and timing of delivery for our purchases in respect of algal oil DHA products. In addition, during the Track Record Period, due to travelling restrictions imposed by the relevant governments in response to COVID-19, our managers were unable to physically attend the premises of our overseas suppliers and processing companies for quality control inspection. Instead, our management maintained communications with our overseas suppliers to monitor the processing of our nutritional products. In 2023, after the lifting of COVID-19 travel restrictions, our general manager resumed physical inspection of our overseas suppliers and the processing companies of our nutritional products in New Zealand and the U.S.

Impact on our financial performance and conditions

Our Directors are of the view that the outbreak of COVID-19 had no material adverse impact on our financial performance and conditions. For instance, the sales volume of our algal oil DHA products, our best-selling nutritional products, increased throughout the Track Record Period, from approximately 1.3 million units for FY2021 to approximately 1.5 million units for FY2022 to approximately 1.9 million units for FY2023. Furthermore, our current ratio and quick ratio at each reporting period throughout the Track Record Period were well above 1.0.

Saved as disclosed above and based on the information available to our Group as at the Latest Practicable Date, our Directors confirm that the COVID-19 pandemic did not and will not have material adverse impact on our business operations and financial performance and conditions.

IMPACT OF SINO-U.S. TRADE CONFLICT ON OUR GROUP

During the Track Record Period, we adopted cross-border e-commerce model for our U.S. DHA Products. Under this model, our Seychelles subsidiary Numans Sales procured the U.S. DHA Products directly from Confidence Group (which is located in the U.S.), in which the U.S. DHA Products were imported from Confidence Group through bonded warehouses, which were then delivered to the e-commerce companies. Our Group was not responsible for handling any customs clearance. The U.S. DHA Products that are imported by cross-border e-commerce model were only sold under our Group's online channel during the Track Record Period. As advised by our PRC Legal Advisers, the cross-border e-commerce model does not involve tariff. As such, our Directors are of the view the Sino-U.S. trade conflict did not have a material adverse impact on our Group. For the associated risk of Sino-U.S. trade conflict, please refer to the paragraph headed "Risk Factors — We procure our U.S. DHA Products directly from the U.S. and any regulatory changes as a result of the Sino-U.S. trade conflict may have a material adverse impact on us." in this document.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Governance Structure

Sound corporate governance forms the foundation of our operations. We believe that establishing and implementing sound environmental, social and governance ("**ESG**") principles and practices will help enhance the investment value of an enterprise and provide long-term returns to our stakeholders. The Board has the overall responsibility of overseeing sustainability issues related to our operations and strategy. By setting a strategic direction, the Board sets a clear vision and strategy that guides the ESG measures or systems, reflecting our core values. The Board will adopt the following approaches to identify, manage and review material ESG issues:

Identify: The Board will engage key stakeholders, including our major customers, major suppliers, management team, and employees to identify material ESG issues and risks inherent in our business operations. The Board believes that open dialogue with stakeholders plays a crucial role in maintaining our business sustainability.

Assess: Apart from assessing the performance of our ESG measures through discussion with our stakeholders, the Board will engage a third party to identify and assess our performance in respect of environmental protection and climate change.

Review: The Board will review the progress made against ESG-related goals to guide our Group to achieve better ESG performance. Via our ESG policy, a set of systematic risk management practices have been put in place to ensure financial and operational functions, compliance control systems, material control, asset management and risk management all operate effectively.

To ensure a better implementation system is in place, an ESG working group has been set up at the management level. The ESG working group, currently composed of Mr. An Yong, Ms. Meng Yao and Mr. Wang Kan who are the members of the senior management of our Group, continued to deal with ESG-related issues. The ESG working group is responsible for discussing our ESG issues and continuing to ensure that appropriate and effective ESG policies and measures are in place, and reporting the ESG performance of our Group and discussing the potential improvement of the ESG policies and measures with the Board. It also assists current risk management, which is designed to meet our specific business needs and minimise risk exposure. The working group sets ESG goals and reviews its progress in achieving the goals to check whether there are areas for improvement. Additionally, through analysing the situation of our Group, the working group will suggest new ideas and bring attention to issues, as well as offer solutions that can be applied in our Group. We set and review the environmental goals through the process of our Board meetings, collect feedback from different stakeholders to understand their views on our environmental performance, and ensure the feasibility of the goals. We will evaluate our actual business operation annually and assess how the actual situation of our business can affect our environment. Goals will be adjusted according to the change in the situation of our business. For the biographical details of our senior management, please refer to the section headed "Directors, Senior Management and Employees" in this document.

Potential climate risk on our business operation and financial performance

A warming planet creates a wide range of risks for business, from disrupted supply chains to rising insurance costs to labour challenges. With the increasing threat of climate change and the associated physical damage, change in market perception and shift in preference of the public towards more environmentally friendly products and services, the financial, reputational and strategic risk implications are becoming increasingly prominent. Climate change will undoubtedly be of increasing concern to our Group and industry as a whole for the foreseeable future. We have identified the following risks that climate change poses.

Governed by our risk management policy, a set of systematic risk management practices has been put in place to ensure that the financial and operational functions, compliance mechanisms, material control and risk management operate efficiently. Our Board and ESG working group are responsible for evaluating and determining our ESG risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. We recognise ESG risks and engage in appropriate environmental practices. We comply with the laws and regulations covering environmental protection, as well as adopting measures to achieve more efficient use of resources, increased energy conservation, and waste reduction.

An ESG risk assessment was conducted based on assessing the possibility and impact of each identified risk into three levels: high, medium and low. Risks are then classified into three overall risk levels, high, medium and low based on the possibility and impact ratings.

Risk levels	**Definition of the overall risk levels**
High	Risks at this level may have serious consequences. There will highly likely be some impacts on our Group and hindrances for our Group to achieve strategic goals.
Medium	Risks at this level may have serious consequences, but they are less likely to occur. Conversely, the consequences could be minor in nature, but the probability of occurrence is higher.
Low	Risks at this level have limited harm and consequences for our Group to achieve its strategic goals, and the probability of occurrence is low.

Physical Risks

Climate change affects all regions around the world. Extreme weather events, such as typhoons, storm surges and rainstorms, will hinder and disrupt our production, transportation and ultimately our revenue. Continuous extreme weather may affect the growth of the plants and the stock of marine life which may affect the stability of the supply of the raw materials of our products and also may affect the composition of the nutrient of the raw materials. As a result, this situation may affect the stability of product supply and product quality. Furthermore, we also foresee an increase in the frequency of blackouts due to the heavy load on the electricity grid caused by climate change, which may lead to unpredictable disturbances to our operations.

How to mitigate physical risks

During extreme weather events, employees are advised to remain in a safe place until it is safe to resume normal activities. We continue to enhance internal awareness and training for our employees regarding climate risk so that the ability of our Group to cope with the negative impacts of extreme weather can be strengthened. Furthermore, we adopt industry best practices according to the potential climate-related risks identified, which aims to improve energy efficiency throughout our operation. All employees are encouraged to focus on the daily procedure to achieve the objective of climate change mitigation.

Transition Risks

Transition risk refers to the financial risk related to the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate policy, technological changes, or a change in market sentiment.

Tightened environmental policies increase the cost of fulfilling such requirements. It might also raise the operating costs, insurance costs and penalties for non-compliance.

Substitution of existing technology and equipment with lower emissions or resource-saving options to comply with the new energy and sustainability standards incur investment and maintenance costs.

A change in customer or user behaviour and preferences leads to a loss in customer and income if there is a failure to meet stakeholders' expectations on climate risk management and goals.

The change in customer or user preferences may increase the chance of receiving negative stakeholder feedback about our existing products. It may affect the reputation of our Group.

How to mitigate transition risks

To mitigate the transition risks, we pay attention to stakeholders' preferences on climate-related performance and disclosure and ensure transparent communication with stakeholders, and adjust the marketing strategies of our products where appropriate.

Climate-related Risk	Timeframe	Potential financial impacts	Likelihood	Impact
		Physical Risks		
Extreme weather	Short term	Climate change affects all regions around the world. Extreme weather events, such as typhoons, storm surges and rainstorms, will hinder and disrupt our production, transportation and ultimately our revenue.	Low	Low
Extreme weather	Long term	Continuous extreme weather may affect the growth of the plants and the stock of marine life which may affect the stability of the supply of the raw materials of our products and also may affect the composition of the nutrient of the raw materials. As a result, this situation may affect the stability of product supply and product quality. Furthermore, we also foresee an increase in the frequency of blackouts due to the heavy load on the electricity grid caused by climate change, which may lead to unpredictable disturbances to our operations.	Low	Low
		Transition Risks		
Tightening of climate-related policies	Short term	Tightened environmental policies increase the cost of fulfilling such requirements. It might also raise the operating costs, insurance costs and penalties for non-compliance.	Low	Low

Climate-related Risk	Timeframe	Potential financial impacts	Likelihood	Impact
Cost to transition to lower emissions technology	Short term	Substitution of existing technology and equipment with lower emissions or resource-saving options to comply with the new energy and sustainability standards incur investment and maintenance costs.	Low	Low
Changing customer behaviour	Long term	A change in customer or user behaviour and preferences leads to a loss in customer and income if there is a failure to meet stakeholders' expectations on climate risk management and goals.	Low	Low
Reputation risk	Long term	The change in customer or user preferences may increase the chance of receiving negative stakeholder feedback about the existing products and services. It may affect the reputation of our Group.	Low	Low

Opportunities

We understood that there is growing preference for clean, pollution-free and healthy nutritional products in the PRC, and our finished algal oil DHA and probiotics products continuously use raw materials supplied by leading algal oil DHA and probiotics raw materials suppliers which took into account sustainability issues in their businesses, it is an opportunity for our business to grow by adapting our marketing strategies in the long term.

ESG policies

We are committed to working on the environmental, health and safety, employment, supply chain issues that our operations affect, and to working with our stakeholders to promote sustainable development in the industry in which we operate. We endeavour to ensure compliance with all applicable national and local safety, health, labour and environmental obligations. We have implemented an ESG policy, which provides guidelines to manage our environmental, social and climate-related issues, and our Board will constantly update the policy in response to the environmental, social and climate-related changes.

Environmental Policy

As we principally engaged in marketing, selling and distributing nutritional products in the PRC and did not operate any production facilities by ourselves, we consider that we did not impose any material threats to the environment during our business operations. Nevertheless, we endeavour to comply with all applicable environmental laws and regulations during our business operations. During the Track Record Period and up to the Latest Practicable Date, we did not record any material non-compliance with applicable environmental requirements that results in prosecution or conviction being brought against us. Our business nature did not incur any significant amount of cost for compliance with applicable environmental requirements.

As part of our environmental policy, we have set the following commitments:

- Become carbon neutral in 2050
- Compliance with global and local environmental laws and regulations
- Continuous improvement in environmental and resource management
- Enhance employees' awareness of resource-saving and environmental protection

Besides, we also have set some environmental targets in order to improve our environmental performance continuously:

- Reduce greenhouse gas emissions intensity by 5% within ten years, with 2021 as the base year;
- Reduce energy consumption intensity by 5% within ten years, with 2021 as the base year;
- Reduce energy consumption intensity by 5% within ten years, with 2021 as the base year.

Since no significant amount of waste was produced by our business operations, no such target was set. However, we will continue to manage the existing resource use reduction policies in the long term. The energy and greenhouse gas ("**GHG**") emission intensities of 2022 remain unchanged compared with 2021. We did not produce a large amount of GHG emissions and consume a large amount of energy.

Use of resources

We have also adopted the following measures to enhance the effective use of various types of resources:

- Responsibly manage energy and water resources for the benefit of the business and society
- Design and implement effective energy and water management measures

- Minimise the production of all kinds of waste where applicable
- Handle waste in accordance with national and local laws and regulations
- Source materials responsibly and sustainably, including prioritising suppliers with environmentally sound practices and management
- Reuse and recycle as much as our used material

Emissions management and energy efficiency

In order to promote energy efficiency, we have adopted the following measures:

- Encourage the adoption of energy-efficient machinery, system and equipment in the procurement process
- Avoid unnecessary vehicle use and maintain the vehicles regularly
- Maintain the room temperature at 24–25 degree Celsius
- Turn off the unnecessary electrical equipment and lights

Note: There were no significant annual costs derived from the compliance with applicable rules and regulations during the Track Record Period and up to the Latest Practicable Date.

During Track Record Period, we did not incur any material costs in relation to our compliance with applicable environmental requirements in the PRC. We estimate that our annual cost of compliance going forward will be consistent with our scale of operation.

During the Track Record Period and up to the Latest Practicable Date, we did not record any material non-compliance with applicable environmental requirements in the PRC that resulted in prosecution, conviction, penalty or administrative sanction being brought against or imposed upon us.

Social policy

Human resources

Equal Opportunity applies to all aspects of employment. We are committed to the principle of equal opportunities for all employees and candidates regardless of their gender, race, nationality, marital status, disability, religious belief, sexual orientation or any other characteristic protected under the law. Promotion and job opportunities as well as their remuneration, benefits and welfare packages are offered to existing employees and suitable candidates based on the assessment of the work performance of all individuals on merit, qualifications and abilities, and suitability for the position. Our policies regarding employees' rest time and dismissal are formulated in accordance with the relevant national laws and regulations.

We recognise the benefit of a diversity of Board members and we have adopted a Board diversity policy, please refer to the paragraph headed "Directors, Senior Management and Employees — Board diversity policy" for further details. In order to further promote gender diversity within our Group, we endeavour to ensure that there is gender diversity during the recruitment of employees at mid to senior level and provide training and long-term development opportunities to our female staff members, hence there will be a pipeline of female senior management and potential successors to our Board.

Occupational health and safety

We strive to provide and maintain a safe and healthy working environment whilst complying with all applicable laws and regulations. These include, but are not limited to the following:

- Law of the PRC on the Prevention and Treatment of Occupational Diseases
- Work Safety Law of the PRC

We arrange occupational health and safety training for employees and inspect the working environment, fire-fighting facilities and first-aid equipment regularly. The work-related injury records are managed by the administrative department. The administrative department is responsible for inspecting work-related injury cases and formulating and evaluating the work-related injury monitoring policy regularly.

Product Quality and Safety

We have established a comprehensive product quality management system to ensure our nutritional products are in high quality and safe to all consumers' health. We strictly monitor the quality of raw materials used in the production process. We conduct inspections at our suppliers and the processing companies of our nutritional products as and when necessary. The site visit would include a physical examination of the processing process for our nutritional products. During the site visit, we would observe and check that no unauthorized substances are added to our nutritional products, and that there is no adulteration in our nutritional products. In addition, we would check the batch numbers of the raw materials used in the production against the certificate of analysis issued by the ultimate raw material suppliers, where applicable. If we identify any issues related to the production process, use of raw materials, or product quality, we would directly and promptly report them to our Board. We would also arrange for independent laboratory tests.

If the purchased finished products do not match the specifications or quantities stated in the purchase agreements and/or purchase orders, or if they do not meet our requirements, our logistics and warehousing department will refuse to accept the goods and notify the procurement department to communicate with our suppliers.

If the materials are received and found to be non-compliant during the inspection process, we would prepare a recall application form and submit it for approval by our Directors. After receiving the approved recall application form, our general manager and head of external trade are responsible for contacting the suppliers to discuss the recall arrangements. Besides, we also have established a comprehensive complaint handling procedure to ensure we understand the customers' concerns on the products.

Supply chain management

In order to manage our supply chain, our purchasing department is responsible for evaluating the price, the standard of product quality, business condition and environmental and social corporate responsibility of the new suppliers regularly in order to ensure the product and service quality of the suppliers.

During the Track Record Period and up to the Latest Practicable Date, we cooperated with over 35 suppliers, including 2 from Hong Kong, 1 from USA and over 30 from the PRC.

We expect our suppliers to engage in good sustainability practices, such as raising employees' environmental awareness, encouraging energy conservation, promoting waste reduction, and providing a safe and risk-free working environment. We assess the quality of products and services of the new suppliers and update the list of approved suppliers regularly. In addition, when purchasing goods and services, environmental and social factors are part of the consideration besides technical capabilities and price competitiveness. A standardised procurement management flow, including selection, hiring, evaluation, management and monitoring of suppliers, has been established to track the performance of suppliers regularly. We evaluate the performance of the suppliers annually and conduct certificate checking regularly in order to maintain the products and services quality, and their compliance with environmental and social standards. Underperformers will be removed from the list to ensure all suppliers achieve our minimum standard.

Besides, we have also adopted a green procurement policy which stipulates the purchased products and services which cause minimal damage to the environment. Environmentally friendly and energy-saving products are preferred when purchasing commonly used items for daily business operations.

We maintain positive communication among all of our suppliers in order to maintain environmentally friendly and sustainable value chain for our business. We strive to reuse and recycle packaging materials and avoid unnecessary energy consumption. With our efforts on energy and resource saving and good sustainable cooperation with all of our suppliers, we believe that the negative environmental impacts derived from our business and value chain are minimal.

Anti-Corruption

We regard knowledge and compliance with laws and regulations as the foundation of our business. Our Group requires that all employees shall conform to the Law Against Unfair Competition of the PRC, Criminal Law of the PRC, and other laws, regulations and regulatory documents related to commercial bribery.

We have formulated anti-fraud, anti-bribery and anti-money laundering policies. We understand that employees may potentially face corruption-related situations when dealing with customers, suppliers or contractors during business operations, and thus the policies provide guidelines to employees for seeking advice on proper actions.

We have established a whistle-blowing policy which encourages employees to report suspected misconduct cases through various channels such as telephone, letters and emails. Any suspicious issues reported will be followed up and investigated by the Board, and the process of the investigation will be kept confidential. The whistle-blowers are protected in reporting and investigation procedures which are free from unfair treatment and victimisation.

Environment performance and metrics

The energy consumption of our Group is as follows:

	FY2021	**FY2022**	**FY2023**
Petrol (MWh)	98.70	86.14	61.15
Diesel (MWh)	5.12	3.55	3.60
Electricity (MWh)	96.64	88.52	95.35
Total Energy consumption (MWh)	**200.46**	**178.21**	**160.10**
The energy consumption intensity (MWh/m^2)	**0.02**	**0.02**	**0.02**

The GHG emissions of our Group are shown in the following table:

	FY2021	**FY2022**	**FY2023**
Scope 1 (tCO_2e)	23.07	19.94	19.36
Scope 2 (tCO_2e)	56.15	51.43	54.38
Scope 3 (tCO_2e)	0.74	0.78	1.02
The total amount of GHG emissions (tCO_2e)	**79.96**	**72.15**	**74.75**
The GHG emissions intensity (tCO_2e/m^2)	**0.01**	**0.01**	**0.01**

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors are responsible for the formulation of and overseeing the implementation of the internal control measures and the effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

We have engaged an independent internal control consultant ("**Internal Control Consultant**") to review our internal control and risk management systems so that we could improve our overall internal control system. The internal control review covered areas including corporate governance, financial reporting and operation controls. During the period between March to May 2023, our Internal Control Consultant conducted initial internal control review, and also conducted a follow-up review in November 2023.

The Internal Control Consultant is satisfied that there are no material deficiencies in the adequacy and effectiveness of our Group's internal control systems. The Internal Control Consultant has also reviewed and assessed our entering into and termination of milk powder business, and has made certain recommendations in order to mitigate the risks of any substantial loss to be suffered by our Group in the event that our Group intends to commence any business in new products with material financial commitment or enter into any significant business contracts in the ordinary course of our business. For details, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Other losses, net — Losses relating to milk powder products — Recommendations by the Internal Control Consultant" in this document.

Corporate Governance

In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining internal control systems covering areas such as corporate governance, operation management, compliance matters and financial reporting for our needs. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. In particular, we have adopted the following internal control measures to enhance our corporate governance:

(1) our Board includes three independent non-executive Directors and one non-executive Director to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors and non-executive Director contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge;

(2) our Directors deliberate risk management related policies and procedures and review the effectiveness and adequacy of risk management activities annually;

(3) we have strengthened our internal audit system to ensure the appropriate functioning of the risk management and operation oversight systems. We have established the Audit Committee which comprises three independent non-executive Directors to review and monitor the effectiveness of our financial control, internal control and risk

management systems. We also intend to engage an internal control consultant to review our internal control system on an annual basis to ensure that effective internal control procedures are in place;

(4) our Directors have attended a training session on 8 June 2023 conducted by our legal advisers as to Hong Kong laws on, among other things, the obligations, on-going corporate governance requirements and the duties of directors of a company listed on the Stock Exchange; and

(5) we have appointed Caitong International Capital Co., Limited as our compliance adviser to advise us on compliance matters in relation to the Listing Rules.

Risk Management

Our Directors are responsible for overall risk management and control of our business and review the effectiveness of our risk management system from time to time to ensure that it properly addresses and is adequate to monitor and control, to the extent feasible, various risks faced by our Group following our business growth and expansion. We have in place the following risk management system to manage our operational risks:

- Our Board is in charge of the overall risk control of our Group. Any significant business decision involving material risks are reviewed, analysed and approved at the Board level to ensure a thorough examination of the associated risks at our highest corporate governance body.

- We have different departments responsible for each key fields of our operations including marketing and brand promotion, sales and customer service, accounting and finance, administration and human resources, and logistics. Our senior management member Mr. An Yong is in charge of supervising different departments and monitoring the overall business operations of our Group. We have established procedures and policies setting out clear reporting lines and responsibilities with a view to facilitating efficient communications among our Board, our senior management and different departments.

- Our Audit Committee is responsible for, among others, maintaining a satisfactory control environment and an effective system of internal control (including any arrangements for internal audit) and reviewing our financial information, by monitoring the integrity of our financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them.

We have adopted various internal policies and procedures for our employees in respect of different aspects of our business process based on our operational needs. To ensure compliance culture is embedded into everyday workflow and to set the expectations for individual behaviour across the organisation. We also provide both in-house and external trainings to our employees in order to enhance their industry knowledge to manage our operational risks.

LICENCE, PERMITS AND APPROVALS

As at the Latest Practicable Date, we have obtained and maintained the following certificates, licences, permits and approvals that are specific and material to our business operations:

Licence/approval/ permit/certificate	Purpose	Holder	Date of first grant/ filing	Expiry date
Food Operation Licence (食品經營許可證)	Conduct business in food selling	Rujian International Aumay Dairy	24 June 2021 14 October 2020	23 June 2026 13 October 2025
Filing for food operation for selling pre-packaged food only (食品經營僅銷售預包裝食品備案)	Sales of pre-packaged food	Gold Nemans Hontat Nutritional	23 June 2022 20 June 2022	23 June 2027 No expiry date
Certificate of Registration of Customs Declaration Entities of the PRC (中華人民共和國海關報關單位註冊登記證書)	Import and export of goods	Gold Nemans	13 November 2017	Long term
Filing of Entry-Exit Inspection and Quarantine Enterprises (出入境檢驗檢疫報檢企業備案表)	Complete the application formalities of customs inspection	Gold Nemans	25 October 2017	No expiry date
Customs declaration unit filing at the China International Trade Single Window (中國國際貿易單一窗口海關報關單位備案)	Import and export of goods	Rujian International Hontat Nutritional Aumay Dairy	13 May 2010 3 November 2017 2 March 2018	Long term Long term Long term
GS1 China Membership License (中國商品條碼系統成員證書)	Create GS1 identification keys	Rujian International Gold Nemans	2 September 2024 16 September 2021	2 September 2026 16 September 2025

Licence/approval/ permit/certificate	Purpose	Holder	Date of first grant/ filing	Expiry date
Certificate of Approval for Health Supplement Product (國產保健食品註冊證書)	Approval of our DHA Algal Oil Softgel (Adult) products processed in the PRC as qualified and approved health supplement products	Gold Nemans	7 May 2015	2 December 2025
	Approval of our Algal Oil Colostrum Softgel (Children) products processed in the PRC as qualified and approved health supplement products	Gold Nemans	2 March 2015	2 December 2025
	Approval of our DHA Algal Oil Linseed Oil Arachidonic Acid Softgel products processed in the PRC as qualified and approved health supplement products	Gold Nemans	16 June 2023	15 June 2028

Our Directors confirm that as at the Latest Practicable Date, to the best of their knowledge and belief, (i) we had obtained all necessary approvals, permits, licences and certificates that are material to our business operations; (ii) we had not been subject to non-renewal or conditional renewal of material licences and permits from the relevant government authorities; and (iii) we had not violated any laws and regulations in the PRC during the Track Record Period.

LEGAL COMPLIANCE

According to our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have complied with all applicable laws and regulations in the PRC in all material aspects.

LEGAL PROCEEDINGS

Our Group's civil litigation proceedings involving some of our Core Trademarks

A. Background of trademark-related dispute with Company X and its affiliated company, Company Y

The 2017 Action (as defined below) and its main objectives

Our primary products, namely algal oil DHA products sold and marketed under the brands "紐曼思" (formerly known as "紐曼斯DHA") and "Nemans", are categorized under Class 29 of Trademark International Classification of Goods and Services, namely "edible aquatic plant extracts" (食用水生植物提取物). Our brands are protected by some of the Core Trademarks. In 2017, we discovered that the sales of products bearing brand and trademark which were similar to "紐曼思" ("**Company X's**") on an e-commerce platform, thereby, in our Group's opinion, infringed upon our registered trademark rights. Therefore, our Group initiated civil proceedings against the manufacturers and sellers of such products, including Company X and Company Y (the "**2017 Action**").

Results of the 2017 Action (concluded in 2020)

The final ruling on the 2017 Action was in favour of our Group. The court recognized the similarity between our Group's products and Company X's, both of which fell under Class 29 of Trademark International Classification of Goods and Services, and Company X's trademark was found to be similar to that of our Group, causing infringement of our trademark rights. Consequentially, the defendants were ordered to bear civil liability for, amongst others, ceasing the infringement, mitigating the impact of such infringement, and compensating for our losses. The Shanghai Intellectual Property Court laid down the final judgment in June 2019, which is the final and conclusive ruling for the 2017 Action.

Development subsequent to the 2017 Action

Following the conclusion of the 2017 Action, Company X and its affiliates did not cease to infringe our trademarks. To the knowledge of our Company, they continued to use "紐曼斯" or similar variants in the promotion and marking on e-commerce platforms and their product packaging, which may cause confusion among consumers to mistakenly believe that there is a specific connection with our Group and our products. In the opinion of our Group, Company X and its affiliates have not only seriously infringed our trademark rights, but also engaged in unfair competition with us.

Against such background, we initiated other legal proceedings against them. This case was tried for the first instance, the second instance and the retrial, and the final judgement was also in favour of our Group against the defendant. The court held that Company X has infringed our trademark rights, and that Company X should bear the civil liability to, amongst others, cease the infringement, mitigate the impact and compensate for the losses.

Set out below are the background and outcome of the legal proceedings:

Reference number	Relevant Court	Duration of the proceedings	To whom our Group is against	Outcome and principal ruling by the relevant court
1.	上海市浦東新區人民法院 上海知識產權法院 上海市高級人民法院	2020–2024	(1) Company X (2) Company Y	The final ruling was in favour of our Group. 1. During the period when Gold Nemans enjoys the exclusive right to the registered trademarks No. 7310618 "紐曼斯" and No. 7815357 "紐曼思", the defendants shall immediately cease the infringement of the exclusive rights to the registered trademarks, by, amongst others on the online webstores and product packaging, from the date of the judgement taking effect. 2. The defendants shall immediately cease the unfair competition behavior of false propaganda on the online webstores from the date the judgement taking effect. 3. The defendants shall compensate the plaintiff, i.e., Gold Nemans' economic losses.
2.	上海市浦東新區人民法院 上海知識產權法院 上海市高級人民法院	2020–2024	Company X	The final ruling was in favour of our Group. 1. During the period when the plaintiff Gold Nemans enjoys the exclusive right to use the registered trademarks No. 7310618 "紐曼斯" and No. 7815357 "紐曼思", Company X shall immediately cease to infringe the plaintiff Gold Nemans' exclusive right to use the registered trademarks No. 7310618 "紐曼斯" and No. 7815357 "紐曼思" from the date the judgement taking effect. 2. The defendant shall compensate the plaintiff, i.e., Gold Nemans' economic losses.

Reference number	Relevant Court	Duration of the proceedings	To whom our Group is against	Outcome and principal ruling by the relevant court
3.	杭州鐵路運輸法院	2023	Certain distributors of Company X	The final ruling was in favour of our Group. 1. The defendants shall immediately cease to infringe the exclusive rights of Gold Nemans to the registered trademarks No. 7310618 "紐曼斯" and No. 7815357 "紐曼思". 2. The defendants shall compensate the plaintiff i.e., Gold Nemans for economic losses.
4.	上海市浦東新區人民法院 上海知識產權法院	2021-2024	Company X	The final ruling was in favour of our Group. The first instance court ruled against Company X that its behaviour constituted business defamation and false propaganda, and the appeal from Company X was rejected in second instance trial.

B. Our Group company as defendant in civil proceedings

Despite the final and conclusive judgment in favour of us in the 2017 Action, Company X and Company Y initiated actions against, amongst others, our Group, challenging our use of some of our Core Trademarks. Set out below are the background and the latest development on these legal proceedings. All the cases below were concluded and their claims were rejected.

Reference number	Relevant Court	Duration of the proceedings	By whom our Group is being sued	Outcome and principal ruling from the court
5.	湖北省武漢市中級人民法院 湖北省高級人民法院	2020–2021	Company Y	Results of the first instance trial: As the court has sought Company Y's consent to segregate the case but Company Y did not reply, the court ruled against Company Y. Results of the second instance trial: The court ruled against the appeal and upheld the original ruling. No appeal action has been taken by Company Y.
6.	湖北省武漢市中級人民法院 湖北省高級人民法院	2022-2023	(1) Company X (2) Company Y	The ruling was in favour of our Group. The court rejected the claims made by Company X and Company Y in both the first instance and second instance trial.

Reference number	Relevant Court	Duration of the proceedings	By whom our Group is being sued	Outcome and principal ruling from the court
7.	浙江省杭州市余杭區人民法院 浙江省杭州市中級人民法院 浙江省高級人民法院	2020–2023	Company Y	The ruling was in favour of our Group. The court rejected the claims made by Company Y in all instances.
8.	安徽省合肥高新技術產業開發區人民法院 安徽省合肥高新技術產業開發區人民法院	2023	Company X	Company X withdrew the case.
9.	上海市浦東新區人民法院	2023-2024	(1) Company X (2) Company Y	Company X and Company Y withdrew the case.

C. Ongoing civil litigations as at the Latest Practicable Date

Subsequent to the conclusion of the 2017 Action, Company X and certain manufacturers, agents, and distributors did not cease the infringement, and continued to produce and/or sell products under brands and business names which are similar to our trademarks. Apart from suing Company X, we also sent legal letters to certain manufacturers, agents, and distributors of Company X's products (the "**Related Entitles**"), demanding them to cease infringing our trademark rights. We further initiated the following civil proceedings against some manufacturers, agents, and distributors for infringement. Set out below are the background and the latest development on these legal proceedings.

Reference number	Relevant Court	Duration of the proceedings	To whom our Group is against	Outcome/The Latest Development
10.	廣州知識產權法院	Since 2023	Company X and two Related Entities	First trial held in March 2024. As at the Latest Practicable Date, the judgement is pending. It is estimated that the judgement will be laid down in a few months' time.
11.	廣東省廣州市白雲區人民法院	Since 2023	Four Related Entities	First trial held in mid 2024. As at the Latest Practicable Date, the judgement is pending. It is estimated that the judgement will be laid down in a few months' time.

Reference number	Relevant Court	Duration of the proceedings	To whom our Group is against	Outcome/The Latest Development
12.	浙江省杭州市中級人民法院	Since 2023	Two Related Entities	As at the Latest Practicable Date, the trial date is yet to be fixed. It is estimated that trial will be held in a few months' time and the judgement will be laid down in 2025.
13.	北京市西城區人民法院 北京知識產權法院	Since 2023	Company X, Company Y and three Related Entities	The court ruled in favour of our Group in the first instance of trial. Our Group is only seeking appeal to, amongst others, additional compensation from the defendants.

Administrative proceedings involving some of our Core Trademarks

In addition to initiating civil litigation proceedings, as a means of protecting and defending our trademark rights, we challenge the trademark applications of competitors or to invalidate the trademarks registered by our competitors through administrative proceedings. We believe such administrative proceedings practices and strategies are commonly adopted by brand owners.

In view of the nature of the administrative proceedings, our Company has expected and acknowledged that some of the administrative actions undertaken by our Group may fail and some actions undertaken by our competitors in administrative proceedings may succeed. Our Company believes that our stance to vigorously defend its intellectual property rights, in particular, the Core Trademarks have to be conveyed to our competitors in a clear and unambiguous manner.

Set out below are the background and the latest development on these administrative proceedings.

Reference number	Relevant Court	Trademark in Dispute	Trademark owner	Outcome/Latest Status
14.	北京知識產權法院 北京市高級人民法院 北京市高級人民法院	No. 7310618 紐曼斯	Numans HK	While the first instance court rejected our Group's claim, the second instance court supported the appeal by our Group. The retrial court rejected the retrial application of Company Y and therefore the case was concluded where our Group succeeded in defending its trademark from invalidation.
15.	北京知識產權法院	No. 7815357 紐曼思	Numans HK	The plaintiff (being an individual)'s case was rejected by the court. The plaintiff did not lodge appeal and the Group has successfully defended the trademark from being invalidated.

Reference number	Relevant Court	Trademark in Dispute	Trademark owner	Outcome/Latest Status
16.	北京知識產權法院 北京市高級人民法院	No. 22360185 紐曼斯	Company X	According to the judgement, the authority supported our Group's claim and ordered the China National Intellectual Property Administration to make a new ruling in connection with the invalidation of the trademark in dispute. Company X has lodged an appeal with a view to overturning the decision.

Other ongoing litigation as at the Latest Practicable Date

In July 2024, Company Z, a company whose shares are listed on the Shenzhen Stock Exchange, instigated legal proceedings against us, among others. Company Z alleged that one of our distributors used the wording "金標藻油" (which Company Z claimed to have an exclusive right to use) on an e-commerce platform including hyperlinks to our products. It is estimated that the court will conclude the pre-trial mediation by the first quarter of 2025 and if trial is to be held, the judgment may be laid down in 2025. Our Directors expect that such proceedings should have no material adverse impact on our Group's business operation and financial condition. Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any outstanding litigations or claims against Group on or before the date on which the [REDACTED] becomes unconditional. Further details on the Deed of Indemnity are set out in the paragraph headed "E. Other information — 4.1. Estate duty, tax and other indemnities" in Appendix IV to this document.

Our Directors confirm that, as at the Latest Practicable Date, save as disclosed hereinabove, we had not been involved in any actual or threatened arbitration, litigation or administrative proceedings which had or could be expected to have a material adverse impact on our reputation, business, results of operations and financial condition.

To further protect our intellectual property rights, we were the registered owner of over 50 trademarks which are material to the operation of our Group as at the Latest Practicable Date. Please refer to the paragraph headed "Statutory And General Information — 2. Further information about our business — 2.2. Intellectual property rights of our Group" in Appendix IV to this document for further details of our trademarks. As part of our control measures, we assigned Ms. Meng Yao, head of legal department of our Group, to keep track of and monitor for infringement or other unauthorised use of our intellectual property rights and we shall take action to defend our rights if we notice such infringement. We also keep track of the status of our intellectual property rights and we shall renew our trademarks as and when required if the

trademarks are about to expire. Please refer to the section headed "Directors, Senior Management and Employees" in this document regarding the qualifications and experience of Ms. Meng.

Our Sole Sponsor is of the view that our outstanding legal proceedings with Company X and Company Y do not affect our suitability for [REDACTED] of our Company under Rule 8.04 of the Listing Rules, having considered:

(i) our Company has been successfully protecting and defending the use of intellectual property rights over our Core Trademarks throughout our term of operation, and our Group has been found in favour by the courts in litigation proceedings where our Group sued the counter-parties on infringement of our registered trademarks;

(ii) we have been engaged sizable law firms to advise on our litigation strategies and handled the legal proceedings;

(iii) as disclosed below, our Company has adopted enhanced internal controls to protect our intellectual property rights, which we consider to be adequate, effective and are common measures in protecting an enterprise's intellectual property rights; and

(iv) as disclosed below, our Company's internal control measures to protect our intellectual property rights are mainly by way of legal proceedings (whether civil or administrative), renewing Core Trademarks, applying for registration of defensive trademarks and challenging others' defensive trademarks. As such, it is common that our Group is involved in legal proceedings.

Distinguishing our algal oil DHA products from the products of Company X

The packagings of our algal oil DHA products contain distinct and identifiable features, which serve to help our end-customer to distinguish our products from the products of Company X, as follows:

1. As disclosed in the paragraph headed "Our suppliers — Relationship with DSM Group" in this document, during the Track Record Period, our Group was authorised by DSM Group to print the trademarks of DSM Group on the packagings of our algal oil DHA products to indicate that our algal oil DHA products were made from algal oil DHA supplied by DSM Group. For example, the packagings of our algal oil DHA products bear the trademark of DSM Group called "life'sDHA".

2. During the Track Record Period, our major algal oil DHA products in terms of revenue and sales volume are New Zealand DHA Products and U.S. DHA Products, in which their location of origin is clearly set out in the packagings. To the best knowledge of our Directors, the products of Company X are not manufactured in New Zealand or the U.S.

Enhanced internal control measures to protect our intellectual property rights

Our sales department would monitor from time to time whether there are other products in the markets that may infringe our brands and trademarks. In addition, we also engage third-party agents and legal advisers to monitor for us from time to time whether there are any applicants applying for trademark registration which may infringe our brands and registered trademarks.

In the event we identify or become aware of any actual or potential infringement of our brands and registered trademarks, we would first approach the counterparty and request for cessation of infringement, and would proceed to legal actions if the infringement persists. In the event we identify or become aware of any trademark registration which may infringe our brands and registered trademarks, we will take administrative proceedings to object or strike out such applications.

In respect of our Core Trademarks, we would make applications far in advance prior to the expiry date such that we would have sufficient time to successfully extend the validity of the relevant trademarks. In addition, we would register defensive trademarks, which include (i) similar trademarks with our registered Core Trademarks but in different sub-class(es) which are not core to our operation); and/or (ii) similar trademarks with our registered Core Trademark in different classes. Furthermore, we would dispute unused trademarks and/or invaliding trademarks registered by other trademark owners.

The Sole Sponsor is of the view that the above enhanced internal control measures of our Company are adequate and effective in protecting our intellectual property rights, having considered:

(i) our Company's independent internal control consultant has reviewed the above enhanced internal controls and is of the view that they are adequate and effective;

(ii) as confirmed with a legal adviser in the PRC specialising in intellectual property practice, our internal control measures by way of legal proceedings (whether civil or administrative), renewing Core Trademarks, applying for registration of defensive trademarks and challenging others' defensive trademarks are common measures in protecting an enterprise's intellectual property rights;

(iii) our Company has been successfully protecting and defending the use of intellectual property rights over our Core Trademarks throughout our term of operation, and our Group has been found in favour by the courts in litigation proceedings where our Group sued the counter-parties on infringement of our registered trademarks; and

(iv) the amount of our revenue from sales of algal oil DHA products under our brands during the Track Record Period was substantial, at approximately RMB310.2 million, RMB340.6 million, RMB404.1 million and RMB140.5 million for FY2021, FY2022, FY2023 and 6M2024, respectively, which demonstrates the effectiveness of enhancing the brand awareness of our brands to our customers.

PROPERTIES

Owned Properties

As at the Latest Practicable Date, we owned the following properties:

Location	Owner	Gross floor area *(sq.m.)*	Use of the property	Period of use
1–202, Building 15, Yangguang 100 Guoji Xincheng, 21 Yangguang New Road, Huaiyin District, Jinan, Shandong, PRC	Rujian International	155.81	Dormitory	17 August 2017 to 12 July 2074
1–207, Building 15, Yangguang 100 Guoji Xincheng, 21 Yangguang New Road, Huaiyin District, Jinan, Shandong, PRC	Rujian International	13.3	Dormitory	17 August 2017 to 12 July 2074

The foregoing properties are used by us for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As at 30 June 2023, we had no single property interest with a carrying amount of 15% or more of our total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document 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.

Leased Properties

As at the Latest Practicable Date, we leased the following properties from independent third parties:

Location	Gross floor area *(sq.m.)*	Use of the property	Monthly rental *(RMB)*	Term
Room B2, 2nd Floor, Block B, No. 501 Jingang Road, Pudong New District, Shanghai, PRC*(Note)*	1,432	Warehouse and office	82,758	10 February 2024 to 9 February 2026
Room C1, 1st Floor, Block C, No. 501 Jingang Road, Pudong New District, Shanghai, PRC*(Note)*	893	Warehouse and office	57,040	1 April 2023 to 31 March 2025
Room D2B, 2nd Floor, Block D, No. 501 Jingang Road, Pudong New District, Shanghai, PRC*(Note)*	515	Warehouse and office	28,196	1 April 2023 to 31 March 2025
Room 204, Block 18, No. 502 Qianyu Road, Chenjia Town, Chongming District, Shanghai, PRC*(Note)*	11.4	Office	416.1	1 January 2024 to 31 December 2024
2nd Floor, Block 8, No. 706 Wuxing Road, Pudong New District, Shanghai, PRC	273.514	Office	40,000	1 March 2022 to 28 February 2027
Room 303, Block 18, No. 502 Qianyu Road, Chenjia Town, Chongming District, Shanghai, PRC*(Note)*	11.4	Office	416.1	1 January 2024 to 31 December 2024
3rd Floor, Block 8, No. 706 Wuxing Road, Pudong New District, Shanghai, PRC	300.364	Office	44,000	1 March 2022 to 28 February 2027

Location	Gross floor area *(sq.m.)*	Use of the property	Monthly rental *(RMB)*	Term
1st Floor, Block 8, No. 706 Wuxing Road, Pudong New District, Shanghai, PRC	310.644	Office	45,000	1 March 2022 to 28 February 2027
Room 223, Block 9, No. 502 Qianyu Road, Chenjia Town, Chongming District, Shanghai, PRC*(Note)*	13.7	Office	500	1 January 2024 to 31 December 2024

Note: As at the Latest Practicable Date, the lease agreements had not been registered with the relevant housing authorities. As advised by our PRC Legal Advisers, the non-registration of the lease agreements would not affect the validity of the lease agreements and we are entitled to use the lease properties according to the lease agreements. However, as advised by our PRC Legal Advisers, the relevant authorities might order us to rectify the non-registration and we may be subject to a maximum administrative penalty of RMB10,000 for each unregistered lease agreement if we do not rectify it within the specified time limit. As advised by our PRC Legal Advisers, provided that we could rectify the non-registration within specific time limit, the chance for us to be imposed of such administrative penalty is low. As at the Latest Practicable Date, no administrative penalty was imposed on us for non-registration of lease agreements.

INTELLECTUAL PROPERTY

Details of our intellectual property rights are set out in the paragraph headed "2.2 Intellectual property rights of our Group" in Appendix IV to this document. Save as disclosed in the paragraph headed "Legal proceedings" in this section, as at the Latest Practicable Date, our Directors were not aware of (i) any claims in relation to infringement of intellectual property rights by any third party; (ii) any threatened material proceedings or claims relating to intellectual property rights against us; and (iii) any material infringement of our intellectual property rights. We believe we have taken reasonable measures to prevent infringement of our intellectual property rights.

INSURANCE

As at the Latest Practicable Date, we had maintained insurance coverage in relation to our business that is adequate and customary for our industry and in compliance with the laws and regulations applicable to us. We are obliged to provide and have provided social insurance for our employees as required by the relevant PRC laws and regulations. We also maintain insurance including property all risks insurance and motor vehicle insurance. We were not aware of any material claim on any insurance policies maintained by us during the Track Record Period and up to the Latest Practicable Date.

COMPETITION

According to Frost & Sullivan, the market size of the maternal and children algal oil DHA products made from algal oil DHA raw materials supplied by overseas suppliers among domestic brands in the PRC in terms of retail sales value was approximately RMB3,208.8 million in 2023. This specific market was considered concentrated for FY2023 in terms of retail sales value. We competed with approximately 35 players in the market, and a limited number of which were sizeable market players who had leading market positions. These leading players who had formed stable contracts with world-famous algal oil DHA suppliers displayed strong market presence in the PRC and benefited from the established reputation and recognition of their products. There are multiple entry barriers for new market players to establish business presence in the maternal and children algal oil DHA industry in the PRC such as the stringent regulatory system over nutritional products in general and the varied product quality which may cause consumers to be reluctant or more cautious towards taking algal oil DHA. According to Frost & Sullivan, the maternal and children algal oil DHA market in the PRC can be divided into products launched by international players and domestic players, where the products of domestic players can be further categorised into products with locally sourced and imported algal oil DHA raw materials. Domestic brands with imported algal oil DHA raw materials accounted for 28.5% of the total retail sales value of algal oil DHA products in the PRC in 2023, out of which we accounted for approximately 20.5% in 2023, ranking us the largest domestic brand in terms of retail sales value of algal oil DHA products made from imported raw materials. We believe that this is attributable to our long history and established reputation in the industry, high product quality together with our established and diversified sales and distribution network.

As for the maternal and children probiotics market in the PRC, it is relatively fragmented because of the presence of numerous players with varying sizes, specialisation and financial resources. The players compete based on factors such as price, quality, innovation, reputation, and distribution. The competition among the companies may force them to reduce their product prices, which negatively affects their margins and market growth. The market has witnessed frequent mergers, acquisitions, and strategic alliances in recent years. Some industry participants extensively invest in research and development to enhance their product portfolio and gain market share. At the same time, other players use online sales, multi-level marketing, and distribution networks to increase their competitive advantage. Overall, the competition in the maternal and children probiotics industry in the PRC is expected to continue to intensify and fragment as more companies enter the market and seek to differentiate themselves through product innovation, marketing strategies, and partnerships with healthcare providers.

Please refer to the section headed "Industry Overview" in this document for further details on the competitive landscape, growth and entry barriers of the maternal and children algal oil DHA and probiotics industry in the PRC.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors; whilst our senior management consists of seven personnel.

The following table sets out certain information regarding members of our Board and senior management:

Directors

Name	Age	Position/Title	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Wang Ping *(Note)* (王平先生)	55	Chairman, Chief Executive Officer and Executive Director	November 2002	21 January 2019	Overall management and operations, investment strategies and business development of our Group, and serving as the chairperson of the Nomination Committee and a member of the Remuneration Committee	Spouse of Ms. Cui
Ms. Cui Juan (崔娟女士)	52	Executive Director	April 2011	27 March 2019	Overall management and operations, investment strategies and business development of our Group	Spouse of Mr. Wang
Mr. Chan Hok Leung (陳學良先生)	61	Non-executive Director	March 2019	27 March 2019	Advising on corporate and business strategies	N/A
Ms. Yim Wing Yee (嚴詠怡女士)	45	Independent non-executive Director	[•] 2024	[•] 2024	Participating in meetings of the Board to bring an independent judgement on issues which are material to our Group as and when required; and serving as the chairperson of the Audit Committee and a member of the Remuneration Committee and Nomination Committee	N/A

Name	Age	Position/Title	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Lau Kwok Fai Patrick (劉國煇先生)	51	Independent non-executive Director	[•] 2024	[•] 2024	Participating in meetings of the Board to bring an independent judgement on issues which are material to our Group as and when required; and serving as the chairperson of the Remuneration Committee and a member of the Audit Committee and Nomination Committee	N/A
Mr. Yu Tsz Ngo (余子敖先生)	39	Independent non-executive Director	[•] 2024	[•] 2024	Participating in meetings of the Board to bring an independent judgement on issues which are material to our Group as and when required; and serving as a member of the Audit Committee, Remuneration Committee and Nomination Committee	N/A

Senior Management

Name	Age	Position/Title	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. An Yong (安勇先生)	46	General manager	June 2011	June 2011	Overall day-to-day operations and management of our Group	N/A
Ms. Song Xufang (宋旭芳女士)	40	Assistant to general manager	December 2009	December 2009	Administration and day-to-day management of our Group	N/A
Ms. Sun Mei (孫梅女士)	41	Financial manager	October 2010	September 2018	Overseeing accounting and financial management of our Group	N/A

Name	Age	Position/Title	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Wang Kan (王侃先生)	40	Head of external trade	March 2010	March 2010	Overseeing procurement management of our Group	N/A
Ms. Gu Ying (顧瑩女士)	41	Head of customer service	January 2010	January 2011	E-commerce sales and customer service of our Group	N/A
Mr. Tang Tsz Tsun (鄧子駿先生)	42	Financial controller and Company secretary	October 2022	October 2022	Overseeing financial operation and company secretarial affairs of our Group	N/A
Ms. Meng Yao (孟瑤女士)	33	Head of legal department	February 2022	February 2022	Corporate legal compliance related matters of our Group	N/A

Note: Under Code C.2.1 of the Corporate Governance Code (the "**CG Code**"), the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Company does not currently separate the roles of our Chairman and our Chief Executive Officer. Mr. Wang is our Chairman and our Chief Executive Officer who has extensive experience in the nutritional product industry and is responsible for managing the overall operations of our Group and planning our business development and strategies. Our Directors consider that vesting the roles of our Chairman and our Chief Executive Officer in the same individual is beneficial to the management and business development of our Group. The balance of power and authority is ensured by the operations of our Board and our senior management personnel, which comprise experienced and high calibre individuals. Our Board will continue to review and consider separating the roles of our Chairman and our Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

DIRECTORS

Executive Directors

Mr. Wang Ping (王平先生), aged 55, was appointed as our Director on 21 January 2019. He was appointed as the Chairman on 27 March 2019. He is the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Wang is mainly responsible for overseeing our overall management and operations, investment strategies and business development, and has more than 20 years of experience in enterprise operation and management, and has been managing our Group since its establishment. Prior to establishing our Group, Mr. Wang served as department manager of Yantai Youse Metals Group Operation Co., Ltd. (煙台有色金屬集團經營有限公司) from May 1996 to September 2000, and as chairman of Shanghai Lehua Technology Development Co., Ltd. (上海樂化科技發展有限公司) from October 2000 to November 2002. He has been appointed as the executive director, legal representative and general manager of Gold Nemans since December 2010 and up to March 2014. Mr. Wang is currently an executive director and legal representative of Aumay Dairy, an executive director, legal representative and general manager of Rujian International and a director of each of Numans HK and Numans Sales. He is the spouse of Ms. Cui.

Mr. Wang obtained a master degree in business administration from the University of Wales in December 2013.

Ms. Cui Juan (崔娟女士), aged 52, was appointed as our Director on 27 March 2019. Ms. Cui is mainly responsible for overseeing our overall management and operations, investment strategies and business development, and has approximately 10 years of experience in enterprise operation and management. She has been appointed as a director of Hontat Nutritional since April 2011 to October 2013, and the legal representative and general manager of Hontat Nutritional since April 2011 to June 2014. She has also been the executive director and legal representative of Gold Nemans since March 2014 and a director of Numans Sales since November 2023. She is the spouse of Mr. Wang.

Ms. Cui's other working experience is set forth in the table below:

Company Name	Principal business activities of the company	Position and responsibilities	Period
Shanghai branch office of Hung & Kit (Holdings) Limited* (香港洪吉控股有限公司上海分公司)	Agency service for American Airlines in the PRC	Ticket Executive (票務主管) and Customer Relationship Manager	From December 2002 to February 2007
Hong Kong Airlines Limited	Airline operation	Sales Supervisor — Group	From November 2008 to March 2017

Ms. Cui completed her Master of Business Administration (MBA) degree at the City University in Malaysia in June 2018.

Non-executive Director

Mr. Chan Hok Leung (陳學良先生), aged 61, was appointed as our non-executive Director on 27 March 2019. Mr. Chan is primarily responsible for advising on corporate and business strategies of our Group. He holds the following academic qualifications:

— bachelor of commerce and administration degree from the Victoria University of Wellington, New Zealand awarded in 1988;

— master of business administration degree (with distinction) from the University of Warwick, the U.K. awarded in 2000; and

— master of science degree in hotel and tourism management (with distinction) from the Hong Kong Polytechnic University awarded in 2009.

Mr. Chan has over 29 years of experience in the corporate finance industry. He has a regulatory background with in-depth knowledge of the Listing Rules, the GEM Listing Rules and the Takeovers Code. From 1994 to November 2007, Mr. Chan held various positions at the SFC, starting as a manager and serving as director of the corporate finance department prior to his departure in 2007. He served as an executive director of Asian Capital (Corporate Finance) Limited (currently known as Neutral Financial Holding Company Limited) and Asian Capital Holdings Limited (currently known as Kingwisoft Technology Group Company Limited), a company listed on GEM of the Stock Exchange (stock code: 8295) from November 2009 to October 2016 and from June 2010 to June 2016, respectively. From January 2017 to January 2019, Mr. Chan was employed as a managing director of Cypress House Capital Limited (currently known as First Prosperous Capital Company Limited). From January 2019 to 31 May 2024, Mr. Chan worked at China Sunrise Capital Limited (formerly known as First Capital International Finance Limited) with his last position being managing director in the investment banking division. Since March 1999, Mr. Chan has been serving as a director of Carling Associates Limited. He was admitted as an associate and a fellow of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since January 1993 and September 1997, respectively.

Mr. Chan was the director of the following company which was incorporated in Hong Kong and was dissolved and the relevant details are as follows:

Company	Nature of business	Nature of dissolution	Date of dissolution	Reason for dissolution
Chizin Enterprises Limited	Property investment	Deregistration *(Note)*	8 April 2004	Cessation of business

Note: Under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong), an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (b) such company has never commenced business, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Chan has confirmed that the above company was solvent at the time of dissolution, and there was no wrongful act on his part leading to the dissolution of the company and such dissolution has not resulted in any liability or obligation imposed against him.

Independent non-executive Directors

Ms. Yim Wing Yee (嚴詠怡女士), aged 45, was appointed as our independent non-executive Director on [•] 2024. Ms. Yim is the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee.

Ms. Yim has over 18 years of experience in the areas of assurance, accounting, corporate finance advisory and compliance services for licensed corporations and multinational companies. Ms. Yim worked at BKR Lew & Barr Limited (currently known as East Asia Sentinel Limited (衛亞會計師事務所有限公司) ("**EASL**")) from January 2005 to February 2007 with her last position as an audit senior. Ms. Yim then served as a senior associate and manager of assurance department of PricewaterhouseCoopers (羅兵咸永道會計師事務所) from April 2007 to October 2009 and from October 2009 to February 2010, respectively. Ms. Yim subsequently rejoined EASL in February 2010 as an audit manager and has been serving as a director of EASL since August 2013. She has provided auditing services to several companies listed on the Stock Exchange over the past 8 years.

Ms. Yim has been admitted as a practising member of the Hong Kong Institute of Certified Public Accountants since January 2008, a fellow member of the Association of Chartered Certified Accountants (英國特許公認會計師公會) in the United Kingdom since March 2011, and an associate of the Institute of Chartered Accountants in England and Wales (英格蘭及威爾士特許會計師協會) since January 2021.

Ms. Yim graduated from Oxford Brookes University (牛津布魯克斯大學) with a bachelor's degree in applied accounting in January 2005 through distance learning.

Mr. Lau Kwok Fai Patrick (劉國煇先生), aged 51, was appointed as our independent non-executive Director on [•] 2024. Mr. Lau is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Mr. Lau has more than 26 years of experience in the fields of accounting, auditing, financial management and corporate governance.

From September 1996 to November 1997, Mr. Lau served as an auditor of Glass Radcliffe Chan & Wee Certified Public Accountants (currently known as Baker Tilly Hong Kong Limited (天職香港會計事務所)), where he was mainly responsible for auditing and accountancy work. From December 1997 to April 1999, Mr. Lau was an associate of PricewaterhouseCoopers (羅兵咸永道會計師事務所), where he was mainly responsible for auditing work. From October 1999 to June 2011, Mr. Lau successively served in various positions in KPMG (畢馬威會計師事務所), with his last position as a manager of KPMG Advisory (China) Limited (畢馬威企業諮詢(中國)有限公司), where he was mainly responsible for providing financial advisory services, conducting financial due diligence, corporate reorganisation and liquidation work. Mr. Lau held/holds (as the case may be) positions in the following listed companies:

Period	Company name and stock code	Position
From July 2011 to June 2016 and from December 2011 to June 2016	China City Railway Transportation Technology Holdings Company Limited (中國城市軌道交通科技控股有限公司) (currently known as BII Railway Transportation Technology Holdings Company Limited (京投軌道交通科技控股有限公司)), a company engaged in intelligent railway transportation services, civil communication transmission services and business development investment and is listed on the Main Board of the Stock Exchange (stock code: 1522)	Deputy general manager and financial controller; company secretary and authorised representative
From July 2016 to October 2019 and from May 2018 to October 2019	International Alliance Financial Leasing Co., Ltd. (國際友聯融資租賃有限公司), a finance leasing company listed on the Main Board of the Stock Exchange (stock code: 1563)	Chief financial officer; company secretary and authorised representative
From October 2017 to July 2020	Jinhai International Group Holdings Limited (今海國際集團控股有限公司) (formerly known as Kakiko Group Limited), a company mainly engaged in providing manpower outsourcing services, dormitory services and construction service and is listed on the Main Board of the Stock Exchange (stock code: 2225)	Independent non-executive director
December 2020 and up to 4 January 2024	Sundy Service Group Co. Ltd (宋都服務集團有限公司), a company mainly engaged in providing integrated property management services and is listed on the Main Board of the Stock Exchange (stock code: 9608)	Independent non-executive director
January 2018 and up to the Latest Practicable Date	FDB Holdings Limited (豐展控股有限公司) (formerly known as Steering Holdings Limited (旭通控股有限公司) and Dafy Holdings Limited (達飛控股有限公司)), a construction consultancy company listed on the Main Board of the Stock Exchange (stock code: 1826)	Independent non-executive director
February 2020 and up to the Latest Practicable Date	Ximei Resources Holdings Limited (稀美資源控股有限公司), a producer of tantalum- and niobium-based metallurgical products listed on the Main Board of the Stock Exchange (stock code: 9936)	Independent non-executive director

Period	Company name and stock code	Position
March 2023 and up to the Latest Practicable Date	Zhongtian Construction (Hunan) Group Limited (中天建設(湖南)集團有限公司), a general contracting construction company and is listed on the Main Board of the Stock Exchange (stock code: 2433)	Independent non-executive director

Mr. Lau obtained an honours diploma in accounting from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University (香港樹仁大學)) in July 1996. He obtained the diploma in insolvency from The Hong Kong Institute of Certified Public Accountants in June 2004. He further obtained a master of science in corporate governance and directorship degree with distinction from Hong Kong Baptist University (香港浸會大學) in November 2014.

Mr. Lau was admitted as a member of the Association of Chartered Certified Accountants (英國特許公認會計師公會) in the United Kingdom since December 2002. He was admitted as an associate of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since July 2003. He was admitted as a fellow of the Association of Chartered Certified Accountants in the United Kingdom since December 2007.

Mr. Yu Tsz Ngo (余子敖先生), aged 39, was appointed as our independent non-executive Director on [•] 2024. Mr. Yu is a member of the Remuneration Committee, Audit Committee and Nomination Committee.

Mr. Yu has over 16 years of experience in the related fields of finance, auditing, accounting, corporate governance practices, and company secretarial matters. From January 2007 to February 2012, Mr. Yu successively served in various positions in Deloitte Touche Tohmatsu (德勤 • 關黃陳方會計師行), with his last position as an audit manager, where he was mainly responsible for auditing and accountancy work. From September 2013 to December 2020, he was a partner of H.F. Tam & Co. (currently known as CTY&Co. (樂誼會計師事務所)). He is currently the executive director of Marksman Corporate Services Limited (晴熹商業服務有限公司) and Marksman Corporate Consulting Limited (晴熹企業顧問有限公司), respectively, a partner of IPA CPA Limited (專致會計師事務所有限公司) and a co-founder and director of JMG Corporate Consulting Limited (博碩企業顧問有限公司). Mr. Yu held/holds (as the case may be) positions in the following listed companies:

Period	Company name and stock code	Position
From January 2022 to November 2023	Palace Banquet Holdings Limited (首灃控股有限公司) (currently known as Welife Technology Limited (維力生活科技有限公司), a company engaged in offering Cantonese dining service and banquet service in Hong Kong and is listed on the Main Board of the Stock Exchange (stock code: 1703)	Company secretary
From May 2015 to May 2020 and from December 2021 up to the Latest Practicable Date	Steering Holdings Limited (旭通控股有限公司) (currently known as FDB Holdings Limited (豐展控股有限公司)), a construction consultancy company listed on the Main Board of the Stock Exchange (stock code: 1826)	Company secretary

Period	Company name and stock code	Position
May 2021 and up to the Latest Practicable Date	WEIli Holdings Limited (偉立控股有限公司), a PRC-based cigarette packaging paper manufacturer and is listed on the Main Board of the Stock Exchange (stock code: 2372)	Company secretary
September 2021 and up to the Latest Practicable Date	Hing Ming Holdings Limited (興銘控股有限公司), a temporary suspended working platform rental service provider and is listed on the GEM of the Stock Exchange (stock code: 8425)	Company secretary
September 2022 and up to the Latest Practicable Date	China Health Group Inc. (中國醫療集團有限公司) (formerly known as Venturepharm Laboratories Limited (萬全科技藥業有限公司)), a digital healthcare service provider and is listed on the GEM of the Stock Exchange (stock code: 8225)	Company secretary
12 June 2023 and up to the Latest Practicable Date	GC Construction Holdings Limited, a wet trades contractor and is listed on the Main Board of the Stock Exchange (stock code: 1489)	Company secretary
2 November 2023 and up to the Latest Practicable Date	Globavend Holdings Limited, an emerging e-commerce logistics provider providing end-to-end logistics solution and is listed on the Nasdaq Stock Market with ticker symbol: GVH	Chief financial officer

Mr. Yu obtained a bachelor's degree of commerce (accounting and finance) and a master's degree of applied finance from Monash University in Australia in December 2005 and December 2006, respectively.

Mr. Yu was admitted as an associate and a member of the Certified Public Accountants Australia (澳洲會計師公會) since January 2006 and January 2011, respectively, and a fellow member of the Hong Kong Institute of Certified Public Accountants since September 2018.

Save as disclosed in the paragraph headed "Directors" in this section, each of our Directors has confirmed that he/she (a) did not hold any directorship in other public companies, the securities of which are listed on any securities markets in Hong Kong or overseas, in the last three years immediately preceding the Latest Practicable Date; (b) did not hold any other positions in our Company or other members of our Group as at the Latest Practicable Date; and (c) did not have any relationships with any other Directors, senior management or substantial Shareholders or Controlling Shareholders, if any, of our Company as at the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed "Substantial Shareholders" in this document and the paragraph headed "Statutory and General Information — 3. Further information about our Directors and substantial Shareholders" in Appendix IV to this document, each of our Directors did not have any interests in our Shares within the meaning of Part XV of the SFO.

Under Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 6 August 2023, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Under Rule 3.13 of the Listing Rules

Each of the Independent Non-executive Directors confirms (i) his or her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he or she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company; and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointments.

Except as disclosed in the paragraph headed "Directors" in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters that need to be brought to the attention of our Shareholders in connection with the appointment of our Directors, and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. An Yong (安勇先生), aged 46, is currently a general manager of Aumay Dairy, and he served as a general manager of Gold Nemans between June 2011 and November 2020. Mr. An is mainly responsible for the overall day-to-day operations and management of our Group.

Mr. An has over 17 years of experience in the food industry. Prior to joining our Group, Mr. An worked as district manager of China Shineway Pharmaceutical Group Limited (中國神威藥業集團有限公司) from February 2004 to May 2005. He worked as deputy project manager of Inner Mongolia Mengniu Dairy (Group) Co., Ltd* (內蒙古蒙牛乳業(集團)股份有限公司) from June 2005 to May 2011. Since May 2018, Mr. An held interest in a PRC company, which has engaged in the trading of nutritional products including calcium and protein products. To avoid any potential conflict of interest, Mr. An disposed of his interests in the said company to independent third parties in February 2024.

Mr. An obtained an Executive Master of Business Administration degree from Peking University in the PRC in January 2017.

Ms. Song Xufang (宋旭芳女士), aged 40, has been serving as the assistant to the general manager of our Group since February 2011. Ms. Song is mainly responsible for administration and day-to-day management of our Group. Ms. Song worked as the assistant to the general manager of Rujian International from December 2009 to January 2011. She is currently a supervisor of each of Gold Nemans and Aumay Dairy. Ms. Song has been an executive director of Hontat Nutritional since March 2018.

Ms. Song has over 15 years of experience in office administration and management. Prior to joining our Group, she worked as OA system administrator of Shanghai Computer Printing Company Co., Ltd* (上海電腦打印有限公司) from November 2006 to June 2007. She worked as the assistant to the general manager of Shanghai Lehua Technology Development Co., Ltd* (上海樂化科技發展有限公司) from March 2008 to November 2009. Ms. Song has been serving as an executive director of Jiangsu Kairuite Environmental Technology Engineering Company Limited* (江蘇凱瑞特環保科技工程有限公司) since December 2012.

Ms. Song obtained a bachelor degree in computer science and technology from Nanjing Audit University (南京審計大學) (formerly known as Nanjing Audit Institute (南京審計學院)) in June 2006.

Ms. Song was the director of the following company which was established under the laws of the PRC and was dissolved and the relevant details are as follows:

Company	Nature of business	Date of dissolution	Reason for dissolution
Shanghai Xinda Road & Bridge Engineering Equipment Co., Ltd. 上海辛達路橋工程技術有限公司	Road and bridge technology	November 2018	Unsatisfactory business performance of the company

Ms. Song has confirmed that the above company was solvent at the time of dissolution, and there was no wrongful act on her part leading to the dissolution of the company and such dissolution has not resulted in any liability or obligation imposed against her.

Ms. Sun Mei (孫梅女士), aged 41, has been serving as the financial manager of Gold Nemans since February 2014. Ms. Sun is mainly responsible for the accounting and financial management of our Group. Ms. Sun worked as accountant of Rujian International from October 2010 to May 2011 and Hontat Nutritional from June 2011 to January 2014. She is currently a supervisor of Rujian International.

Ms. Sun has over 15 years of experience in accounting and financial management. Prior to joining our Group, she worked as accountant of Shanghai Jingye Accounting Consultation Company Limited* (上海敬業會計諮詢有限公司) from October 2008 to October 2010. She worked as accountant of China Railway 19th Bureau Group 5th Engineering Company Limited* (中鐵十九局集團第五工程有限公司) from July 2014 to October 2015.

Ms. Sun obtained a bachelor degree in accounting from Shenyang University (沈陽大學) in July 2006. She was qualified as a PRC intermediate accountant* (中級會計師) conferred by the Ministry of Finance in the PRC in May 2007.

Mr. Wang Kan (王侃先生), aged 40, has been serving as the head of external trade of Gold Nemans since November 2011. Mr. Wang Kan is mainly responsible for procurement management of our Group. He joined our Group and worked as an international trade officer in Rujian International in March 2010.

Mr. Wang Kan has over 15 years of experience in procurement management. Prior to joining our Group, Mr. Wang Kan worked as a vouching clerk in Shanghai Jialinjie Textile Co., Ltd* (上海嘉麟傑紡織品有限公司) from July 2007 to November 2007. He worked as a sales assistant in Zhongfang United Import & Export Co., Ltd* (中紡聯合進出口股份有限公司) from May 2008 to February 2010.

Mr. Wang Kan obtained a bachelor degree in Marketing (International Marketing) and a diploma in International Trade from Shanghai University of International Business and Economics (上海對外貿易學院) in July 2007 and July 2005, respectively.

Ms. Gu Ying (顧瑩女士), aged 41, has been serving as the head of customer service of Gold Nemans since January 2011. Ms. Gu is mainly responsible for e-commerce sales and customer service of our Group. She joined our Group and has been working as a customer service officer in Rujian International since January 2010.

Ms. Gu has over 15 years of experience in customer service. Prior to joining our Group, she worked as customer service staff in Shanghai Dipai Digital Technology Development Company Limited (上海迪派數碼科技發展有限公司) from October 2003 to August 2005. She worked as customer service executive in Shanghai Ditai Development Company Limited (上海帝泰發展有限公司) from August 2005 to April 2006. She worked as customer service and project assistant of Shanghai Huaguan Electronic Equipment Company Limited (上海華冠電子設備有限責任公司) from October 2006 to August 2007.

Ms. Gu obtained a bachelor degree in administrative management from Shanghai Ocean University* (上海海洋大學) in January 2012.

Mr. Tang Tsz Tsun (鄧子駿先生), aged 42, has been serving as the financial controller since October 2022. He was appointed as company secretary of our Company on 8 June 2023. Mr. Tang is responsible for overseeing the financial operation and company secretarial affairs of our Group.

Prior to joining our Group, Mr. Tang worked at Deloitte Touche Tohmatsu (德勤 • 關黃陳方會計師行) with his last position as an audit manager from February 2011 to December 2014 and from September 2015 to July 2016, respectively. Mr. Tang served as a financial controller at Chiho Environmental Group Limited (齊合環保集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 976), from August 2016 to February 2020.

Mr. Tang has served as an independent non-executive director of Skymission Group Holdings Limited (天任集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1429) since September 2023.

Mr. Tang received a bachelor degree of Commerce with Accounting concentration from Carleton University in Canada in June 2005. Mr. Tang became a member of the Hong Kong Institute of Certified Public Accountants in May 2011.

Ms. Meng Yao (孟瑤女士), aged 33, is currently the head of legal department of our Group and a supervisor of Hontat Nutritional. She is mainly responsible for the corporate legal compliance related matters of our Group. Ms. Meng joined us as a legal counsel in Aumay Dairy in February 2022.

Prior to joining our Group, Ms. Meng worked as a legal assistant of Beijing Dacheng Law Offices from May 2017 to May 2018. She served as a trainee solicitor from July 2020 to December 2020 at Shanghai Xinyi Law Firm* (上海市信義律師事務所). She was enrolled and served as a legal assistant from December 2020 to January 2022 at Shanghai SunHold Law Firm* (上海申浩律師事務所).

Ms. Meng obtained a bachelor degree in law from Beijing Normal University, Zhuhai* (北京師範大學珠海分校) in July 2014. She further obtained a master degree in law from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in June 2020. She also received a Legal Professional Qualification Certificate from the Ministry of Justice of the People's Republic of China in March 2016.

COMPANY SECRETARY

Mr. Tang Tsz Tsun (鄧子駿先生), aged 42, was appointed as our company secretary on 8 June 2023. See "— Senior Management" for his biographical details.

Save as disclosed in the paragraph headed "Senior Management" in this section, none of our senior management members held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on [•] 2024 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three members, namely Ms. Yim Wing Yee, Mr. Lau Kwok Fai Patrick and Mr. Yu Tsz Ngo, all being our independent non-executive Directors. Ms. Yim Wing Yee has been appointed as the chairman of the Audit Committee and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company established the Remuneration Committee on [•] 2024 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The Remuneration Committee has four members, namely Mr. Wang, Ms. Yim Wing Yee, Mr. Lau Kwok Fai Patrick and Mr. Yu Tsz Ngo. Mr. Lau Kwok Fai Patrick has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

Our Company established the Nomination Committee on [•] 2024 with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The Nomination Committee has four members, namely Mr. Wang, Ms. Yim Wing Yee, Mr. Lau Kwok Fai Patrick and Mr. Yu Tsz Ngo. Mr. Wang has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of corporate governance in the management structures and internal control of our Group so as to achieve accountability.

Our Company has adopted the provisions stated in the CG Code as set forth in Appendix C1 to the Listing Rules. Our Board has a balanced composition of executive Directors, non-executive Director and independent non-executive Directors, allowing the Board to effectively exercise independent judgement.

Our Directors are aware that we are expected to comply with the CG Code upon and after [REDACTED]. Any deviation from the CG Code should be carefully considered and disclosed in the interim and annual report. We will continue to comply with the CG Code to protect the best interests of our Shareholders upon and after [REDACTED].

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy whereby it recognises and embraces the benefits of a diversity of board members. Our Company endeavours to ensure that our Board has a balance of skills, experience and diversity of perspectives appropriate to our Company's business and its sustainable and balance development. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skill, knowledge and length of service.

Our Nomination Committee is responsible for monitoring the implementation of our board diversity policy and shall report annually in our corporate governance report on our Board's composition under diversified perspectives. Besides, our Nomination Committee shall review our board diversity policy as appropriate and recommend any required revisions to our Board.

We aim to maintain at least 20% female representation in the Board and the current composition of the Board, consisting of two female Directors and four male Directors with a balanced mix of knowledge and skills, including enterprise operation and management, corporate finance advisory, accounting and company secretarial services, satisfies this target gender ratio, and the ages of our Directors range from 38 years old to 61 years old. We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female senior management and potential successors to the Board. We will strive to enhance our female representation and achieve appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board. The Board is of the view that our current Board composition satisfies the board diversity policy.

COMPLIANCE ADVISER

We have appointed Caitong International Capital Co., Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules concerning unusual movements in the [REDACTED] of our Shares, the possible development of a false market in the Shares, or any other matters.

The term of the appointment shall commence on the [REDACTED] and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

Human Resources

Our Company maintains good employee relations. Our Company has not experienced any significant problems with the recruitment or retention of experienced employees. In addition, our Company has not suffered from any material disruption of normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries and allowances. As at the Latest Practicable Date, we had 46 employees, most of whom are located in PRC. Please refer to the paragraph headed "Business — Employees" in this document for details of breakdown of our employees by function.

Benefits and social insurance

As required by the Chinese regulations on social insurance, our Group participates in the social insurance schemes operated by the relevant local government authorities which include pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund. We also 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) for our eligible employee in Hong Kong.

Remuneration Policy

The aggregate amounts of remuneration of our Directors for FY2021, FY2022, FY2023 and 6M2024 were approximately RMB1.3 million, RMB1.4 million, RMB1.4 million and RMB0.7 million respectively. Details of our Directors' remuneration are set out in Note 8 to the Accountants' Report. Under such arrangement and pursuant to the Directors' service agreements and letters of appointment referred to the paragraph headed "Statutory and General Information — 3. Further information about our Directors and substantial Shareholders — 3.2. Directors' service contracts and letters of appointment" in Appendix IV to this document, the aggregate amount of Directors' fee and other emoluments payable to our Directors for the year ending 31 December 2024 is estimated to be approximately RMB1.4 million, excluding any discretionary bonuses. Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to its operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. After [REDACTED], the Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group. During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company or as compensation for loss of office.

For FY2021, FY2022 and FY2023 and 6M2024, our Group accrued (i) staff's (including the Directors') salaries, discretionary bonus, allowances and other benefits in kind in the sum of approximately RMB11.8 million, RMB12.2 million, RMB14.4 million and RMB5.1 million respectively, and (ii) contributions to defined contribution retirement plans in the sum of approximately RMB1.8 million, RMB2.0 million, RMB2.2 million and RMB1.1 million respectively.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period. For additional information on our Directors' remuneration during the Track Record Period as well as information on our five highest paid individuals, please refer to the Accountant's Report set out in Appendix I to this document.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, pursuant to which, among others, our Directors and employees of our Group may be granted options to subscribe for Shares. Please refer to the paragraph headed "Statutory and General Information — 3. Further information about our Directors and substantial Shareholders — 3.5. Share Option Scheme" in Appendix IV to this document for details.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the Capitalisation Issue, and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, Far-East Fortune will directly hold [REDACTED]% of the issued share capital of our Company. Far-East Fortune is wholly owned as to 91% by Mr. Wang, being our founder and our executive Director, Chairman and Chief Executive Officer, and as to 9% by Ms. Cui, being our executive Director and spouse of Mr. Wang. Each of Far-East Fortune, Mr. Wang, and Ms. Cui is regarded as a Controlling Shareholder of our Company under the Listing Rules and they are collectively regarded as a group of Controlling Shareholders.

Information on other companies owned by our Controlling Shareholders

Our Group principally engages in the business of marketing, sales and distribution of nutritional products in the PRC. As at the Latest Practicable Date, other than the business of marketing, sales and distribution of nutritional products in the PRC carried out by our Group, our Controlling Shareholders and their close associates also had controlling interests in other companies with businesses scopes different from our Group's. Brief details of the business scopes of these companies as at the Latest Practicable Date are as follows:

Name of company	Approximate percentage equity holding of our Controlling Shareholders and their close associate(s)	Business scope of company
Shanghai Kepeng Weishangwu Consulting Company Limited* (上海科澎微商務諮詢有限公司)	35.46% (held by Far-East Fortune)	Business information consultation, design and production of advertisements and provision of related agency service, etc.
Chiyunshe Trading (Shanghai) Company Limited* (池雲舍貿易(上海)有限公司) ("**Chiyunshe**")	100% (held by Far-East Fortune)	Wholesale, import and export of groceries, kitchen utensils and household appliances, etc.
Shanghai Dayunshe Trading Company Limited* (上海達雲舍貿易有限公司)	100% (held by Chiyunshe)	Sales of kitchen utensils and household appliances, provision of information technology consulting services and software development

As shown in the table above, the principal business scopes of the above companies differ from that of our Group, which principally engages in the marketing, sales and distribution of nutritional products in the PRC. Due to differences in business scopes, they are not in competition directly or indirectly with our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors have considered that it is either unnecessary or not in the best interest of our Group to include such companies or businesses in our Group for the purpose of [REDACTED] in order for our Group to focus on the principal business of marketing, sales and distribution of nutritional products in the PRC.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates (other than members of our Group) taking into account the following factors:

Financial independence

Our Group has an independent financial system and makes financial decisions according to our business needs. Our Group has sufficient capital to operate our business independently, and has adequate internal resources to support our daily operations. During the Track Record Period and as at the Latest Practicable Date, none of our Controlling Shareholders, their controlled entities and their respective close associates had provided any share pledge, security, guarantee and other financial assistance in favour of our Group. Our Directors confirm that we will not rely on our Controlling Shareholders, their controlled entities and their respective close associates for financing after the [REDACTED] as we expect that our working capital will be funded by, amongst others, existing cash and cash equivalents and other internal resources, cash generated from operating activities and the [REDACTED] from the [REDACTED].

Operational independence

Our Directors consider that our operations do not depend on our Controlling Shareholders and their respective close associates based on the following reasons:

(a) our Group has established an organisational structure made up of individual departments, each with specific areas of responsibilities;

(b) our Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and/or their respective close associates, or any companies controlled by our Controlling Shareholders;

(c) our Group has established a set of internal controls to facilitate the effective operation of our business; and

(d) our Controlling Shareholders or their close associates have no interest in any of our five largest customers and suppliers for each year/period during the Track Record Period and we have independent access to customers and suppliers.

Based on the above, our Directors consider that our Group can operate independently of our Controlling Shareholders from the operational perspective.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management independence

Our management and operational decisions are made by our Board and our senior management personnel. Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts in the best interest of our Group and does not to allow any conflict between his/her duties as a Director and his/her personal interests. Our independent non-executive Directors are all with extensive experience in different professions and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors with different background provides a balance of views and opinions. Please refer to the paragraph headed "Directors, Senior Management and Employees — Directors" in this document for the background of our Directors. Our Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and no single Director is supposed to have any decision making power unless otherwise authorised by our Board.

In the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and any of our Directors or their respective close associates (other than members of our Group), the interested Director(s) shall, unless otherwise permitted by the Articles, abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum. In case Mr. Wang and/or Ms. Cui is/are required to abstain from voting at the Board meeting due to potential conflict of interest, other Directors will be able to form a quorum and will ensure that the decisions of our Board are made after due consideration of independent and impartial opinions.

Apart from our executive Directors who oversee the daily operations of our Group, our Group has a senior management team independent of our Controlling Shareholders to carry out the business decisions of our Group and to perform all essential management functions without unduly requiring the support of our Controlling Shareholders and the backgrounds of our senior management personnel are set out in the paragraph headed "Directors, Senior Management and Employees — Senior Management" in this document.

In view of the aforesaid, our Directors are of the view that our management independence is upheld.

COMPETITION UNDER RULE 8.10 OF THE LISTING RULES

Each of our Directors has confirmed that none of our Controlling Shareholders and their respective close associates (other than members of our Group) has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our business.

Further, each of our Directors has confirmed that he/she and their respective close associates are not interested in any business apart from our business (where relevant), which competes or is likely to compete, either directly or indirectly, with our business.

CORPORATE GOVERNANCE

Our Directors consider that we have adequate corporate governance measures in place to resolve any actual and potential conflict of interest. To further avoid potential conflict of interest, we have implemented the following measures:

(a) our Company has conditionally adopted the Articles of Association which provide that a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless otherwise permitted by the Articles;

(b) our Company will use our best endeavours to ensure that our Board includes a balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors whom we believe possess sufficient experience and are not involved in any business or other relationship which could interfere in any material manner with the exercise of their independent judgement. Backgrounds of our independent non-executive Directors are set out in the paragraph headed "Directors, Senior Management and Employees — Directors" in this document;

(c) further, if our Controlling Shareholder or our Director has a conflict of interest in a matter to be considered, he/she/it shall act in accordance with the requirements of the Listing Rules, regarding voting on such matter; and

(d) we have appointed Caitong International Capital Co., Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the Listing Rules and various requirements relating to directors' duties and corporate governance.

SHARE CAPITAL

SHARE CAPITAL

The following is a summary of the authorised and issued share capital of our Company as at the date of this document and immediately after completion of the [REDACTED] and the Capitalisation Issue:

Number		
Authorised share capital:		*HK$*
[5,000,000,000]	Shares	[5,000,000]
Issued and to be issued and fully paid or credited as fully paid:		
200	Shares in issue as at the date of this document	0.2
[REDACTED]	Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Total *(Note)*	[REDACTED]

Note: The share capital of our Company will be enlarged by up to an additional [REDACTED] Shares in the event that the [REDACTED] is exercised in full.

The above table assumes the [REDACTED] becomes unconditional and the issue of Shares pursuant to the [REDACTED] is made as described herein. It does not take into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or the [REDACTED] or 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.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of [REDACTED] and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total number of issued Shares of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The [REDACTED] and the Shares which may be issued under the [REDACTED] or upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this document, except for entitlement under the Capitalisation Issue.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Statutory and General Information — 3. Further information about our Directors and substantial Shareholders — 3.5. Share Option Scheme" in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted the [REDACTED] to allot, issue and deal in a total number of Shares of not more than the aggregate of:

(i) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the [REDACTED], but excluding any Shares which may be issued upon the exercise of the [REDACTED] and any option that may be granted under the Share Option Scheme; and

(ii) the total number of our Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate.

The [REDACTED] does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the [REDACTED] or the Capitalisation Issue or upon the exercise of the [REDACTED]. Our Directors may, in addition to the Shares which they are authorised to issue under the [REDACTED], allot, issue and deal in Shares pursuant to a rights issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The [REDACTED] will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the [REDACTED], please refer to the paragraph headed "Statutory and General Information — 1. Further information about our Group — 1.3. Resolutions in writing of our sole Shareholder passed on [•] 2024" in Appendix IV to this document.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted the Repurchase Mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the [REDACTED], but excluding any Shares that may be issued upon the exercise of the [REDACTED] and any option that may be granted under the Share Option Scheme.

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are [REDACTED] (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and regulations and the Listing Rules. A summary of the relevant requirements under the Listing Rules is set out in the paragraph headed "Statutory and General Information — 1. Further information about our Group — 1.7. Repurchases by our Company of our own securities" in Appendix IV to this document.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Repurchase Mandate, please refer to the paragraph headed "Statutory and General Information — 1. Further information about our Group — 1.3. Resolutions in writing of our sole Shareholder passed on [•] 2024" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares. The circumstances under which general meetings are required are provided in the Articles. Detailed information on the Articles is set forth in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this document.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of our Company as at the date of this document and immediately following the completion of the Capitalisation Issue and the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest and/or short position in the Shares or the 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 are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

LONG POSITIONS IN SHARES OF OUR COMPANY

		As at the date of the [REDACTED] application		Immediately after the Capitalisation Issue and the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme	
Name of Shareholder	**Nature of interest/ Capacity**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Far-East Fortune *(Note 1)*	Beneficial owner	200	100%	[REDACTED]	[REDACTED]%

Note: 1. Far-East Fortune is wholly owned as to 91% by Mr. Wang, our executive Director, Chairman and Chief Executive Officer, and 9% by Ms. Cui, our executive Director and spouse of Mr. Wang. Under the SFO, Mr. Wang is taken to be interested in the same number of Shares in which Ms. Cui is interested, and vice versa.

Saved as disclosed above, so far as is known to any Director or chief executive of our Company, no person (other than a Director or chief executive of our Company) 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 are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group as at the date of this document and once the Shares are [REDACTED] on the Stock Exchange.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial statements as at and for the years ended 31 December 2021, 31 December 2022 and 31 December 2023 and the six months ended 30 June 2024 as set out in the Accountants' Report, together with the accompanying notes. The Accountants' Report has been prepared in accordance with HKFRSs. You should read the Accountants' Report in its entirety and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please also refer to the sections headed "Risk Factors" and "Forward-looking Statements" in this document.

OVERVIEW

We are principally engaged in the marketing, sales and distribution of finished nutritional products in the PRC. During the Track Record Period, we sold our nutritional products under our proprietary brands, namely "紐曼思" and "紐曼斯" (in English, "Nemans"), which can be broadly categorised into five main types, namely algal oil DHA, probiotics, vitamins, multi-nutrients and algal calcium products. Our business relies heavily on our brands. Our suppliers adopt an OEM model to manufacture and/or affix labels of our brands on our nutritional products. During FY2022, FY2023 and, to a very limited extent, 6M2024, we also sold milk powder products and derived insignificant revenue therefrom.

During the Track Record Period, algal oil DHA products were our major revenue contributor. Our revenue from the sales of algal oil DHA products accounted for approximately 91.9%, 92.7%, 94.7%, 93.5% and 96.2% of our total revenue for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. Our revenue increased from approximately RMB337.6 million for FY2021 to approximately RMB367.3 million for FY2022 and further increased significantly to approximately RMB426.5 million for FY2023. For 6M2024, our revenue amounted to approximately RMB146.1 million, representing a decrease of approximately RMB46.0 million from approximately RMB192.1 million for 6M2023. Our gross profit margin remained relatively stable at approximately 73.0%, 74.4%, 75.2%, 75.8% and 71.9% for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. Our profit for the year decreased from approximately RMB119.7 million for FY2021 to approximately RMB87.5 million for FY2022 as the increase in our revenue from FY2021 to FY2022 was outweighed by a non-recurring incidental losses on assets arising from the sales of milk powder products of approximately RMB81.5 million recognised during FY2022. For FY2023, our profit for the year amounted to approximately RMB159.3 million, representing a significant increase of approximately RMB71.8 million from approximately RMB87.5 million for FY2022 primarily due to the abovementioned non-recurring incidental losses on assets arising from the sales of milk powder products recognised during FY2022. For 6M2024, our profit for the period

amounted to approximately RMB45.3 million, representing a decrease of approximately RMB32.0 million from approximately RMB77.3 million for 6M2023 primarily driven by the decrease in revenue.

BASIS OF PRESENTATION

Our Company is an exempted company incorporated in the Cayman Islands with limited liability on 21 January 2019. Pursuant to the Reorganisation, which was completed on 28 March 2019, our Company became the holding company of the companies now comprising our Group. For further details, please refer to the section headed "History, Reorganisation and Group Structure" in this document.

The companies now comprising our Group were under the control of Mr. Wang, being one of our Controlling Shareholders, before and after the Reorganisation. Accordingly, the financial information for FY2021, FY2022, FY2023, 6M2023 and 6M2024 has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The financial information has been prepared in accordance with HKFRSs. These principles have been consistently applied throughout the Track Record Period.

The historical financial information has been prepared under the historical cost basis.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our results of operations and financial performance have been and will continue to be affected by a number of factors, which primarily include the following:

Economic cycle and spending power of end-consumers

We are a proprietary brand owner in the algal oil DHA segment in the maternal and children nutritional product industry in the PRC. We position our nutritional products as high quality nutritional products, targeting consumers ranging from pregnant and postpartum women, infants to children. As our nutritional supplement products are non-essential consumer products, the demand and sales of our products are subject to the economic cycle of the PRC and the resulting spending power of end-consumers.

For instance, according to the Frost & Sullivan Report, with COVID-19 largely behind and the PRC government introducing extensive consumption stimulus policies, the sales of consumer goods saw a substantial boost in growth in 2023, however, the momentum slowed down in 2024 due to the impact of the global economic downturn, coupled with a domestic economic slowdown in the PRC, as well as the tapering off of pent-up consumer demand. In 2024, consumer spending was negatively affected by the economic downturn, as evidenced by total retail sales of consumer goods in the PRC, which amounted to approximately RMB23.6 trillion in the first half of 2024, reflecting a modest increase of only approximately 3.7% compared to the same period in 2023. In comparison, retail sales in the first half of 2023 had risen by 8.2% from the first half of 2022. In the first half of 2024, the per capita disposable income of residents

nationwide was RMB20,733, representing a growth of 5.4%. In the first half of 2023, the per capita disposable income was RMB19,672, reflecting a year-on-year real growth of 5.8%. In effect, our revenue increased significantly from approximately RMB367.3 million for FY2022 to approximately RMB426.5 million for FY2023, while our revenue decreased from approximately RMB192.1 million for 6M2023 to approximately RMB146.1 million for 6M2024.

Ability to maintain our established market positioning and strong brand recognition

Our Directors are of the view that the growth of our historical sales was mainly driven by the increasing recognition of our brands. During the Track Record Period and as at the Latest Practicable Date, we operated our business under our proprietary brands, namely "紐曼思" and "紐曼斯" (in English, "Nemans"). In particular, our algal oil DHA products were our major product contributing to most of our revenue during the Track Record Period. According to Frost & Sullivan, we were one of the largest local brands in terms of retail sales value of algal oil DHA products made from algal oil DHA raw materials supplied by overseas suppliers and took up a market share of approximately 20.5% in 2023. We believe that brand recognition plays an important role in influencing consumers' decisions in purchasing our nutritional products. We believe that our continued success will depend largely on our ability to maintain and enhance the value of our brands. If we are unable to maintain or increase our brand recognition, the demand for our nutritional products, and thus the purchase orders from or purchase volume for our customers, may decrease, which in turn could adversely affect our results of operations.

Ability to maintain the quality of our nutritional products

We sell our nutritional products, which can be broadly categorised into five main types, namely algal oil DHA, probiotics, vitamins, multi-nutrients and algal calcium products. Our suppliers adopt an OEM model to manufacture and/or affix labels of our brands on our nutritional products. We believe that the quality of our nutritional products is crucial to ability in maintaining and increasing our brand recognition. If our nutritional products are found or reported to have quality issues, such as including prohibited ingredients, our brand recognition would be adversely affected which would also adversely affect our results of operations. In addition, we may have to recall our nutritional products and write off the obsolete inventories, which would adversely affect our results of operations and financial conditions. In addition, our nutritional products are subject to shelf lives. For instance, our algal oil DHA products generally have a shelf life of 24 to 36 months from the date of production. If we cannot sell our nutritional products before the expiry of the shelf lives, we may have to write off the slow-moving inventories, which would adversely affect our results of operation and financial conditions.

Fluctuation in our cost of sales

During the Track Record Period, our costs of inventories was the largest component of our cost of sales. For FY2021, FY2022, FY2023 and 6M2024, our costs of inventories amounted to approximately RMB89.2 million, RMB91.0 million, RMB103.8 million and RMB40.4 million, respectively, representing approximately 98.0%, 96.7%, 98.3% and 98.2% of our total cost of sales for the corresponding years/period, respectively. Any increase in the cost of our

inventories would negatively impact our profitability if we are unable to effectively transfer the increased cost resulting from such price increase to our customers through increasing the selling price of our products.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of purchase costs on our total purchases during the Track Record Period, assuming the fluctuation of our purchase costs to be 5% and 10% with other variables remained constant:

	Increase/decrease in our total purchases			
	FY2021	**FY2022**	**FY2023**	**6M2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hypothetical fluctuation of purchase costs				
Hypothetical increase/decrease of 5%	±3,236	±7,502	±5,885	±1,635
Hypothetical increase/decrease of 10%	±6,473	±15,005	±11,770	±3,270

Change in our product mix and profit margins

For FY2021, FY2022, FY2023 and 6M2024, our gross profit margin was approximately 73.0%, 74.4%, 75.2% and 71.9%, respectively. Our Group's operating results are affected by our product mix as gross profit margin varies with different products. Our gross profit margin would be adversely affected if the percentage contribution from our algal oil DHA products decreases, or if their gross profit margin decreases. Our Group's ability to maintain and increase our gross profit margin depends on the intensity of market competition, market supply and demand, product quality and the costs of our inventories. If we fail to maintain our competitive strengths, we may lose our current market share in our principal product lines and our revenue may decrease, which may have a material adverse effect on our business, financial conditions and results of operations.

Coverage of our sales and distribution network

During the Track Record Period, we sold our nutritional products through online and offline sales channels.

In terms of online sales channels, we mainly generated our revenue from direct sales to e-commerce companies, which contributed revenue of approximately RMB166.1 million, RMB194.8 million, RMB236.9 million and RMB95.1 million for FY2021, FY2022, FY2023 and 6M2024, respectively, representing approximately 49.2%, 53.1%, 55.6% and 65.1% of our total revenue for the corresponding years/period, respectively. We sell our products directly to e-commerce companies, which are regarded as our customers and would on-sell our products through online shopping platforms to their customers. On the other hand, we also sell our products through online shopping platforms to our customers. Our results of operations would be adversely affected if the e-commerce companies reduce their orders or decrease the purchase volume of their orders to us due to failure to on-sell our products, or alternatively, if our nutritional products cannot be sold through online shopping platforms, for example, due to changes in laws and regulations or customer behaviour.

In terms of offline sales channels, we mainly generated our revenue from sales to regional distributors, which contributed revenue of approximately RMB115.7 million, RMB114.8 million, RMB108.5 million and RMB26.4 million for FY2021, FY2022, FY2023 and 6M2024, respectively, representing approximately 34.3%, 31.2%, 25.4% and 18.0% of our total revenue for the corresponding years/period, respectively. As at the Latest Practicable Date, we had a total of 17 regional distributors in the PRC, which then distributed our products to pharmacies, maternal and children product stores, postpartum care centres, retail stores or their sub-distributors. Our regional distributors can be divided into three types, namely (i) Type A regional distributors which we expect to have relatively higher sales capabilities and are authorised to promote and distribute our products exclusively but only in their designated distribution regions which are generally first, new first and second-tier cities in the PRC; (ii) Type B regional distributors which we expect to have moderate sales capabilities and are authorised to promote and distribute our products only in their designated distribution regions which are mainly second and third-tier cities in the PRC; and (iii) Type C regional distributors which are authorised to promote and distribute our products in all regions in the PRC except the regions designated to Type A regional distributors. For details, please refer to the paragraph headed "Business — Sales and distribution" in this document. Although we generally manage regional distributors' sales of our products, in respect of, *inter alia*, minimum sales target, designated distribution region and reference retail price through the terms of distribution agreements that we enter with them, we cannot assure you that our regional distributors will not breach the distribution agreements or will fully comply with their obligations thereunder. As we may not be able to monitor our regional distributors effectively to ensure efficient sales of our products to the end customers and cannot track in real-time the sales of our products and the inventory level of our regional distributors, there is no assurance that their sales activities will always be carried out up to our expected sales target and service standard.

As such, our results of operations depend to a significant extent on our ability to expand and manage our sales network.

APPLICATION OF HKFRSs

For the purpose of preparing and presenting the financial information, we have consistently applied the HKFRSs which are relevant to our operations and are effective throughout the Track Record Period.

Our Group has not yet applied newly established/amended HKFRSs which are related to our Group and have already been issued but are not yet effective.

CRITICAL AND MATERIAL ACCOUNTING POLICY INFORMATION

We have identified certain accounting policies which are material to the preparation and presentation of the financial information in accordance with HKFRSs. The determination of these accounting policies is fundamental to our financial positions and results of operations, and requires us to make critical judgments and estimation, further information on which is set forth in the paragraph headed "Critical accounting judgments and estimates" in this section.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by our Group is sale of nutritional products.

Identification of performance obligations

At contract inception, our Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) our Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) our Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Our Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;

(b) our Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) our Group's performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, our Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, our Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from sale of nutritional products is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or our Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, our Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

Our Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between us and our customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, our Group's borrowing rates and other relevant creditworthiness information of the customers of our Group.

Our Group has applied the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Variable consideration

If the consideration promised in a contract includes a variable amount, our Group estimates the amount of consideration to which we will be entitled in exchange for transferring the promised goods or services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(i) Marketing incentives

Our Group's marketing incentives include penalty imposed on and incentives offered to its selected customers. Included in our marketing incentives, there are gross profit margin guarantees, trade discounts, volume-based rebates and penalty, and/or other price incentives (together, the "**Marketing Incentives**"). Our Group estimates the Marketing Incentives using the expected-value method and assesses whether the estimated variable consideration is constrained

with reference to the customers' historical records on volume-based rebates and penalty, other marketing incentives entitlement and accumulated purchases to date. Any significant estimation variances will be analysed and taken into consideration in the current estimation and assessment. Typically, the estimated consideration is not constrained.

(ii) Refund liabilities

Our Group grants customers with the right to return the products. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognised for those products expected to be returned. At the same time, our Group recognises a right to returned goods asset and a corresponding adjustment to cost of sales in respect of the right to recover the product when customers exercise their right of return. With reference to our historical experience and our expectation of future returns as adjusted for current relevant information, our Group estimates the number of returns using the expected-value method and assesses whether the estimated variable consideration is constrained. Any significant estimation variances will be analysed and taken into consideration in the current estimation and assessment. Typically, the estimated consideration is not constrained.

During the Track Record Period, there are no significant product return from customers which is subject to refund liabilities.

Principal versus agent

When another party is involved in providing goods or services to a customer, our Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. our Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. our Group is an agent).

Our Group is a principal if we control the specified goods or service before that goods or service is transferred to a customer.

Our Group is an agent if our performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, our Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When our Group acts as an agent, we recognise revenue in the amount of any fee or commission to which we expect to be entitled in exchange for specified goods or services to be provided by the other party.

Our Group is acting as a principal as we control the nutritional products before the goods are transferred to our customers and our performance obligation is to transfer those goods to our customers.

Contract assets and contract liabilities

If our Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or our Group has a right to an amount of consideration that is unconditional, before our Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is our Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For our business of sales of nutritional products, the right to an amount of consideration becomes unconditional only when the consideration is billed subsequent to customers' acceptance on promised goods and the amount of consideration are confirmed between our Group and our customers. During the Track Record Period, contract assets are recognised in regard to the unbilled revenue.

Contract liabilities in relation to the refundable receipts in advance are reported under "Other Payables".

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Intangible assets

Intangible assets with indefinite useful lives are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at the end of each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from being indefinite to finite is accounted for on a prospective basis.

Impairment assessments for intangible assets are set out in the accounting policy "Impairment of other assets" below.

Patent

The initial cost of acquiring a patent is capitalised. Patent with indefinite useful lives is carried at cost less accumulated impairment losses.

Leases

Our Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Our Group as lessee

Our Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Our Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

Our Group accounts for each lease component within a lease contract as a lease separately. Our Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate stand-alone price of the non-lease components.

Amounts payable by our Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

Our Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by our Group; and

(d) an estimate of costs to be incurred by our Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the

underlying asset to our Group by the end of the lease term or if the cost of the right-of-use asset reflects that our Group will exercise a purchase option (if any) — in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leased properties	2 to 5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if our Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects our Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether our Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, our Group remeasures the lease liability using a revised discount rate.

Our Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, our Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) our Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;

(b) our Group determines the lease term of the modified contract;

(c) our Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;

(d) for lease modifications that decrease the scope of the lease, our Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and

(e) for all other lease modifications, our Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

Our Group has applied the practical expedient provided in Amendments to HKFRS 16: *COVID-19-Related Rent Concessions beyond 30 June 2021* and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. Our Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying HKFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

Our Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when our Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) our contractual rights to future cash flows from the financial asset expire; or (ii) we transfer the financial asset and either (a) we transfer substantially all the risks and rewards of ownership of the financial asset, or; (b) we neither transfer nor retain substantially all the risks and rewards of ownership of the financial asset but we do not retain control of the financial asset.

If our Group retains substantially all the risks and rewards of ownership of a transferred financial asset, our Group continues to recognise the financial asset. If our Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, our Group recognises the financial asset to the extent of our continuing involvement and an associated liability for amounts we may have to pay.

Financial assets (except for trade and other receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade and other receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("**FVOCI**"); (iii) equity investment measured at FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on our Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless our Group changes our business model for managing them, in which case all affected financial assets are reclassified on the first day of the first interim reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

Our Group's financial assets at amortised cost include trade and other receivables, contract assets and cash and cash equivalents.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when our Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

Our Group's financial liabilities include trade and other payables and dividends payables. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

Our Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, our Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, our Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information;

(ii) nature of financial instruments;

(iii) nature of collateral (if any);

(iv) nature, size and industry of debtors;

(v) geographical location of debtors; and

(vi) external credit risk ratings (if available).

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

Our Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that our Group may not receive the outstanding contractual amounts in full if the financial asset meets any of the following criteria:

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including our Group, in full (without taking into account any collaterals held by our Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, our Group considers that default has occurred when a financial asset is more than 90 days past due unless our Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, our Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, our Group considers both

quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to our Group.

Irrespective of the outcome of the above assessment, our Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, our Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Our Group's cash and cash equivalents are determined to have low credit risk.

Simplified approach of ECL

For trade receivables and contract assets without significant financing components or otherwise for which our Group applies the practical expedient not to account for the significant financing components, our Group applies a simplified approach in calculating ECL. Our Group recognises a loss allowance based on lifetime ECL at each reporting date based on our historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The expected loss rate used is calculated for each categorised customers' portfolio based on actual credit loss experience over the past years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and our Group's estimate on future economic conditions over the expected lives of trade receivables and contract assets.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

Our Group writes off a financial asset when our Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. Our Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under our Group's procedures for recovery of amounts due, taking into account legal advice, if appropriate. Any subsequent recovery is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, our Group reviews internal and external sources of information to assess whether there is any indication that our Group's intangible assets, property, plant and equipment, right-of-use assets and our Company's investment in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or the cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

Provision

Provision is recognised when our Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the period in which the expenditures are incurred. Provision is reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where our Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Present obligations arising under onerous contracts are recognised and measured as a provision. Onerous contracts are considered to exist where our Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Our Group recognises any impairment loss that has occurred on assets used in fulfilling the contract before a separate provision for onerous contracts are established.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising from an investment in a subsidiary, except where the timing of the reversal of the temporary differences is controlled by our Group and it is probable that the temporary difference will not reverse in the foreseeable future.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of our financial information requires our management to make judgements, estimates and assumptions that affect the application of our accounting policies, reported amounts of assets, liabilities, income, expenses and disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Key sources of estimation uncertainty:

(i) Useful lives of property, plant and equipment and right-of-use assets

The management of our Group determines the estimated useful lives of our Group's property, plant and equipment and right-of-use assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(ii) Impairment of intangible assets, property, plant and equipment and right-of-use assets

The management of our Group determines whether our Group's intangible assets, property, plant and equipment and right-of-use assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of intangible assets, property, plant and equipment and right-of-use assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from intangible assets, property, plant and equipment and right-of-use assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) Estimation and constraint of variable consideration

The sales contracts include rights to return/refund, gross profit margin guarantees, volume-based rebates and penalty and/or other marketing incentives that give rise to variable consideration. In estimating the variable consideration, our Group applies either the expected-value or the most-likely-amount method whichever better predicts the entitled amount.

Our Group determines that using the expected-value method by categorising variable considerations into rights to return/refund, gross profit margin guarantees, volume-based rebates and penalty and/or other marketing incentives is appropriate to estimate the variable consideration, considering the factors of (i) large number of contracts that have similar characteristics; and (ii) there are more than one thresholds for respective categories of variable considerations contained in the contract.

Before including any estimated amount of variable consideration in the transaction price, our Group considers whether it is constrained based on the historical experience, business forecast and the current economic conditions.

(iv) Provision for inventories loss

The management of our Group reviews the inventory ageing analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. Our Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

(v) Loss allowance for ECL

The management of our Group estimates the loss allowances for trade and other receivables and contract assets by using various inputs and assumptions including risk of a default and expected loss rates. The estimation involves high degree of uncertainty which is based on our Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and contract assets.

(vi) Income taxes

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

(vii) Provision for onerous contracts

Our management recognises the provision for onerous contracts with our best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

RESULTS OF OPERATIONS

The consolidated statements of profit or loss during the Track Record Period are summarised below, which are extracted from the Accountants' Report:

	FY2021	FY2022	FY2023	6M2023	6M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	337,608	367,297	426,545	192,076	146,086
Cost of sales	(91,010)	(94,107)	(105,678)	(46,522)	(41,123)
Gross profit	246,598	273,190	320,867	145,554	104,963
Other income	8,505	11,793	13,474	10,375	12,755
Other (losses)/gains, net	(7,906)	(84,369)	390	(2,042)	(344)
Selling and distribution expenses	(63,808)	(79,002)	(102,578)	(44,852)	(48,083)
Administrative and other operating expenses	(18,425)	(16,873)	(24,249)	(11,836)	12,131
Interests on lease liabilities	(117)	(375)	(332)	(176)	(144)
[REDACTED] expenses	(10,722)	(5,951)	(12,951)	(5,842)	(5,317)
Profit before tax	154,125	98,413	194,621	91,181	51,699
Income tax expenses	(34,455)	(10,891)	(35,277)	(13,923)	(6,418)
Profit for the year/period	119,670	87,522	159,344	77,258	45,281

Non-HKFRS financial measure

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we also presented the adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with HKFRSs. We believe that the presentation of non-HKFRS financial measures when shown in conjunction with the corresponding HKFRS financial measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period. Such non-HKFRS financial measures allow investors to consider matrices used by our management in evaluating our performance.

The use of non-HKFRS financial measures has limitations as an analytical tool, and investors should not consider these in isolation from, or as a substitute for, or superior, to analysis of our results of operations or financial condition as reported under HKFRSs. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies.

We adjusted for certain items as our non-HKFRS financial measures, in order to provide potential investors with an overall and fair understanding of our core operating results and financial performance, especially in making period-to-period comparisons of, and assessing the profile of, our operating and financial performance. [REDACTED] expenses are mainly expenses related to the [REDACTED] and are added back because they were incurred only for the purposes of the [REDACTED].

Adjusted net profit (non-HKFRS measure)

We defined adjusted net profit (non-HKFRS measure) as net profit for the year adjusted by adding back [REDACTED] expenses. The table below sets forth the adjusted net profit (non-HKFRS measure) and the adjusted net profit margin (non-HKFRS measure) for each respective year during the Track Record Period:

	FY2021	FY2022	FY2023	6M2023	6M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit for the year/period	119,670	87,522	159,344	77,258	45,281
Adjusted:					
[REDACTED] expenses	10,722	5,951	12,951	5,842	5,317
Adjusted net profit (non-HKFRS measure) for the year	**130,392**	**93,473**	**172,295**	**83,100**	**50,598**
Adjusted net profit margin (non-HKFRS measure) (%)	**38.6%**	**25.4%**	**40.4%**	**43.3%**	**34.6%**

PRINCIPAL COMPONENTS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, our revenue was mainly derived from the sales of nutritional products under our proprietary brands, namely "紐曼思" and "紐曼斯" (in English, "Nemans"), which can be broadly categorised into five main types, namely algal oil DHA, probiotics, vitamins, multi-nutrients and algal calcium products. During FY2022, FY2023 and, to a very limited extent, 6M2024, we also derived insignificant revenue from the sales of milk powder products.

Our revenue increased from approximately RMB337.6 million for FY2021 to approximately RMB367.3 million for FY2022 and further increased significantly to approximately RMB426.5 million for FY2023. For 6M2024, our revenue amounted to approximately RMB146.1 million, representing a decrease of approximately RMB46.0 million from approximately RMB192.1 million for 6M2023.

Revenue by products

The following table sets forth the breakdown of our revenue from the sales of nutritional products, sales volume and average selling price by product category for the years/periods indicated:

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price
	RMB'000	*%*	*Unit'000 (Notes (a) & (b))*	*RMB/Unit*	*RMB'000*	*%*	*Unit'000 (Notes (a) & (b))*	*RMB/Unit*	*RMB'000*	*%*	*Unit'000 (Notes (a) & (b))*	*RMB/Unit*	*RMB'000* (unaudited)	*%*	*Unit'000*	*RMB/Unit*	*RMB'000*	*%*	*Unit'000*	*RMB/Unit*
Algal oil DHA products	310,216	91.9	1,347	230.3	340,610	92.7	1,480	230.1	404,148	94.7	1,918	210.7	179,682	93.5	767	234.3	140,471	96.2	668	210.3
— New Zealand DHA Products	*247,305*	*73.2*	*1,061*	*233.1*	*240,136*	*65.4*	*1,019*	*235.7*	*289,093*	*67.7*	*1,401*	*206.3*	*133,691*	*69.6*	*548*	*244.0*	*89,538*	*61.3*	*436*	*205.4*
— U.S. DHA Products	*55,253*	*16.4*	*246*	*224.6*	*90,816*	*24.7*	*384*	*236.5*	*108,957*	*25.5*	*469*	*232.3*	*42,521*	*22.1*	*193*	*220.3*	*49,114*	*33.6*	*217*	*226.3*
— PRC DHA Products	*7,658*	*2.3*	*40*	*191.5*	*9,658*	*2.6*	*77*	*125.4*	*6,098*	*1.5*	*48*	*127.0*	*3,470*	*1.8*	*26*	*133.5*	*1,819*	*1.3*	*15*	*121.3*
Probiotics products	23,834	7.1	171	139.4	19,485	5.3	130	149.9	18,432	4.3	147	125.4	9,908	5.2	79	125.4	4,893	3.3	36	135.9
Vitamins products	1,837	0.5	23	79.9	1,025	0.3	24	42.7	690	0.2	17	40.6	394	0.2	10	39.4	223	0.2	5	44.6
Multi-nutrients products	1,311	0.4	18	72.8	2,011	0.6	24	83.8	1,207	0.3	16	75.4	678	0.4	9	75.3	208	0.1	3	69.3
Algal calcium products	410	0.1	10	41.0	538	0.1	13	41.4	236	0.1	6	39.3	236	0.1	6	39.3	—	—	—	—
Milk powder products	—	—	—	—	3,628	1.0	18	201.6	1,832	0.4	11	166.5	1,178	0.6	6	196.3	291	0.2	1	210.5
Total	**337,608**	**100.0**	**1,569**		**367,297**	**100.0**	**1,689**		**426,545**	**100.0**	**2,115**		**192,076**	**100.0**	**877**		**146,086**	**100.0**	**713**	

Notes:

(a) Each unit is equivalent to a package of the respective product.

(b) The sales volume in respect of each product represents the aggregate number of units sold. For each unit sold, the specific product composition and number of product units per package may be different. The average selling price per unit of a particular product is simply an overall indicator determined by the sales volume of different mix of that product during the years/periods.

Revenue by sales channels

The following table sets forth the breakdown of our revenue by sales channels, sales volume and average selling price for the years/periods indicated:

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price
	RMB'000	*%*	*Unit '000 (Notes (a) & (b))*	*RMB/Unit*	*RMB'000*	*%*	*Unit '000 (Notes (a) & (b))*	*RMB/Unit*	*RMB'000*	*%*	*Unit '000 (Notes (a) & (b))*	*RMB/Unit*	*RMB'000* (unaudited)	*%*	*Unit '000*	*RMB/Unit*	*RMB'000*	*%*	*Unit '000*	*RMB/Unit*
Online sales channels:																				
Direct sales to e-commerce companies	166,135	49.2	709	234.3	194,838	53.1	844	230.9	236,930	55.5	1,002	236.5	106,176	55.3	446	238.1	95,092	65.1	410	231.9
Sales through online shopping platforms to our customers	50,312	14.9	154	325.2	48,347	13.2	151	319.0	56,467	13.2	174	324.5	23,593	12.3	73	322.0	15,305	10.5	47	325.6
Others *(Note c)*	—	—	—	—	—	—	—	—	18,130	4.3	294	61.7	2,604	1.3	19	137.1	7,453	5.1	91	81.9
Sub-total	216,447	64.1	863	250.8	243,185	66.3	995	244.4	311,527	73.0	1,470	211.9	132,373	68.9	538	246.0	117,850	80.7	548	215.1
Offline sales channels:																				
Sales to regional distributors	115,665	34.3	686	168.6	114,759	31.2	662	173.4	108,523	25.4	624	173.9	53,735	28.0	319	168.4	26,413	18.1	158	167.2
Others *(Note c)*	5,496	1.6	20	274.8	9,353	2.5	32	292.3	6,495	1.5	21	310.8	5,968	3.1	20	298.4	1,823	1.2	7	260.4
Sub-total	121,161	35.9	706	171.6	124,112	33.7	694	178.8	115,018	27.0	645	178.4	59,703	31.1	339	176.1	28,236	19.3	165	171.1
Total	**337,608**	**100.0**	**1,569**		**367,297**	**100.0**	**1,689**		**426,545**	**100.0**	**2,115**	**201.7**	**192,076**	**100.0**	**877**		**146,086**	**100.0**	**713**	**204.9**

Notes:

(a) Each unit is equivalent to a package of our product.

(b) The sales volume in respect of each product represents the aggregate number of units sold. For each unit sold, the specific product composition and number of product units per package may be different. The average selling price per unit of a particular product is simply an overall indicator determined by the sales volume of different mix of that product during the years/periods.

(c) Others include direct sales to retail outlets and miscellaneous sales.

For details of our sales channels, please refer to the paragraph headed "Business — Sales and distribution" in this document.

Revenue by product types and sales channels

The following table sets forth the breakdown of our revenue by product types and sales channels for the years/periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Algal oil DHA products:										
Online sales channels:										
— Direct sales to e-commerce companies	154,220	45.7	183,893	50.1	225,610	52.9	100,864	52.5	92,153	63.1
— Sales through online shopping platforms to our customers	45,460	13.5	43,855	11.9	52,913	12.4	21,288	11.1	14,258	9.8
— Others *(Note)*	—	—	—	—	17,966	4.2	2,587	1.3	7,176	4.9
Offline sales channels:										
— Sales to regional distributors	105,306	31.2	103,798	28.3	101,627	23.8	49,263	25.6	25,191	17.2
— Others *(Note)*	5,230	1.5	9,064	2.4	6,032	1.4	5,680	3.0	1,693	1.2
Sub-total	310,216	91.9	340,610	92.7	404,148	94.7	179,682	93.5	140,471	96.2
Probiotics products:										
Online sales channels:										
— Direct sales to e-commerce companies	11,753	3.5	9,872	2.7	10,745	2.5	4,579	2.4	2,936	2.0
— Sales through online shopping platforms to our customers	3,826	1.1	3,588	1.0	2,687	0.6	2,240	1.2	802	0.5
— Others *(Note)*	—	—	—	—	163	0.0	10	0.0	277	0.2
Offline sales channels:										
— Sales to regional distributors	8,111	2.4	5,801	1.5	4,444	1.0	2,832	1.5	759	0.5
— Others *(Note)*	144	0.1	224	0.1	393	0.1	247	0.1	119	0.1
Sub-total	23,834	7.1	19,485	5.3	18,432	4.3	9,908	5.2	4,893	3.3
Vitamins products:										
Online sales channels:										
— Direct sales to e-commerce companies	76	0.0	58	0.0	38	0.0	—	—	—	0.0
— Sales through online shopping platforms to our customers	418	0.1	216	0.1	214	0.1	110	0.0	91	0.1
Offline sales channels:										
— Sales to regional distributors	1,263	0.4	724	0.2	424	0.1	271	0.2	121	0.1
— Others *(Note)*	80	0.0	27	0.0	14	0.0	13	0.0	11	0.0
Sub-total	1,837	0.5	1,025	0.3	690	0.2	394	0.2	223	0.2

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Multi-nutrients products:										
Online sales channels:										
— Direct sales to e-commerce companies	40	0.0	974	0.3	486	0.1	304	0.2	2	0.0
— Sales through online shopping platforms to our customers	654	0.2	705	0.2	626	0.1	317	0.2	155	0.1
— Others *(Note)*	—	—	—	—	—	0.0	1	0.0	—	0.0
Offline sales channels:										
— Sales to regional distributors	590	0.2	313	0.1	91	0.0	48	0.0	51	0.0
— Others *(Note)*	27	0.0	19	0.0	4	0.0	8	0.0	—	0.0
Sub-total	1,311	0.4	2,011	0.6	1,207	0.3	678	0.4	208	0.1
Algal calcium products:										
Online sales channels:										
— Direct sales to e-commerce companies	—	—	—	—	—	0.0	—	—	—	—
— Sales through online shopping platforms to our customers	—	—	—	—	4	0.0	6	0.0	—	0.0
— Others *(Note)*	—	—	—	—	—	0.0	1	0.0	—	0.0
Offline sales channels:										
— Sales to regional distributors	395	0.1	524	0.1	216	0.1	223	0.1	—	0.0
— Others *(Note)*	15	0.0	14	0.0	16	0.0	6	0.0	—	0.0
Sub-total	410	0.1	538	0.1	236	0.1	236	0.1	—	0.0
Milk powder products:										
Online sales channels:										
— Direct sales to e-commerce companies	—	—	23	0.0	52	0.0	38	0.0	—	0.0
— Sales through online shopping platforms to our customers	—	—	1	0.0	23	0.0	23	0.0	—	0.0
— Others *(Note)*	—	—	—	—	—	0.0	5	0.0	—	0.0
Offline sales channels:										
— Sales to regional distributors	—	—	3,599	1.0	1,721	0.4	1,098	0.6	291	0.2
— Others *(Note)*	—	—	5	0.0	36	0.0	14	0.0	—	0.0
Sub-total	—	—	3,628	1.0	1,832	0.4	1,178	0.6	291	0.2
Total	**337,608**	**100.0**	**367,297**	**100.0**	**426,545**	**100.0**	**192,076**	**100.0**	**146,086**	**100.0**

Note: Others include direct sales to retail outlets and miscellaneous sales.

During the Track Record Period, algal oil DHA products were our major revenue contributor. Our revenue from the sales of algal oil DHA products accounted for approximately 91.9%, 92.7%, 94.7%, 93.5% and 96.2% of our total revenue for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. The sales of the rest of our other nutritional products contributed an insignificant portion to our revenue, for instance:

- our revenue from the sales of probiotics products accounted for approximately 7.1%, 5.3%, 4.3%, 5.2% and 3.3% of our total revenue for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively;

- our revenue from the sales of vitamins products accounted for approximately 0.5%, 0.3%, 0.2%, 0.2% and 0.2% of our total revenue for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively;

- our revenue from the sales of multi-nutrients products accounted for approximately 0.4%, 0.6%, 0.3%, 0.4% and 0.1% of our total revenue for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively;

- our revenue from the sales of algal calcium products accounted for approximately 0.1%, 0.1%, 0.1%, 0.1% and nil of our total revenue for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively; and

- during FY2022, FY2023 and, to a very limited extent, 6M2024, we sold milk powder products and generated revenue of approximately RMB3.6 million, RMB1.8 million and RMB0.3 million, respectively. For details of our sales of milk powder products, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Other losses, net — Losses relating to milk powder products" in this section.

Algal oil DHA products

According to the Frost & Sullivan Report, owing to consumption upgrading and growing awareness over algal oil DHA, the maternal and children algal oil DHA market in the PRC has experienced continuous growth over the past five years from 2018 to 2023, with the retail sales value of which rising from approximately RMB5,733.5 million in 2018 to approximately RMB11,259.0 million in 2023, representing a CAGR of approximately 14.5%. In particular, the retail sales value of the maternal and children algal oil DHA market in the PRC increased, to a larger extent, from approximately RMB9,121.7 million for 2021 to approximately RMB9,833.2 million for 2022, and further increased, to a lesser extent, to approximately RMB11,259.0 million for 2023. According to the Frost & Sullivan Report, the growth in expected retail sales value of the maternal and children DHA market in the PRC is expected to slow down in 2024 at approximately RMB11,563.0 million.

The following table sets forth our purchase volume and sales volume in respect of algal oil DHA products for the years/period indicated:

	FY2021		FY2022		FY2023		6M2024	
	Purchase volume	Sales volume	Purchase volume	Sales volume	Purchase volume	Sales volume	Purchase volume	Sales volume
	Units '000	*Units '000*	*Units '000*	*Units '000*	*Units '000*	*Units '000*	*Units '000*	*Units '000*
Algal oil DHA products	1,253	1,347	2,182	1,480	1,784	1,918	726	668

For FY2021, FY2022, FY2023 and 6M2024, our total sales volume of algal oil DHA products amounted to approximately 1.3 million units, 1.5 million units, 1.9 million units and 0.7 million units, respectively. During the same years/period, our total purchase volume amounted to approximately 1.3 million units, 2.2 million units, 1.8 million units and 0.7 million units, respectively. During FY2022, we significantly increased our purchase of algal oil DHA products due to the large-scale lockdown in Shanghai for COVID-19 outbreak in 2022 to cater for the then uncertainty in terms of supply and timing of delivery for our purchases in respect of algal oil DHA products, and our purchase volume well exceeded our sales volume for FY2022 in respect of algal oil DHA products. As a result, we recorded a significant increase in our inventories in respect of algal oil DHA products from approximately RMB12.4 million as at 31 December 2021 to approximately RMB49.8 million as at 31 December 2022. During FY2023, we continued to utilise our surplus inventories, and our inventories in respect of algal oil DHA products decreased from approximately RMB49.8 million as at 31 December 2022 to approximately RMB40.8 million as at 31 December 2023. For detailed analysis of our inventories, please refer to the paragraph headed "Description of certain line items in the consolidated statements of financial position — Inventories" in this section.

During the Track Record Period, the sales volume of and thus the revenue from the sales of our algal oil DHA products that are processed overseas, namely New Zealand DHA Products and U.S. DHA Products, were significantly higher than that of our PRC DHA Products. Our Directors are of the view that this underlined the consumer behavior that products using imported raw materials enjoy popularity among consumers in the maternal and children nutritional product industry in the PRC, according to Frost & Sullivan.

As disclosed in the paragraph headed "Business — Our purchases — Algal oil DHA products" in this document, during the Track Record Period we adopted general trade model (大貿) for our New Zealand DHA Products and adopted cross-border e-commerce model (跨境電商零售進口) for our U.S. Products. As the goods purchased under the cross-border e-commerce model can only be sold in the PRC online (but not offline), we only sold our U.S. DHA Products to e-commerce companies while we sold our New Zealand DHA Products in all of our sales channels. In addition, there are single transaction limit of RMB5,000 and annual transaction quota of RMB26,000 for purchasing products (i.e. our U.S. DHA Products) that are imposed by cross-border e-commerce model per person. As a result of the foregoing, the sales volume of and thus the revenue from the sales of our New Zealand DHA Products was higher than that of our U.S. DHA Products during the Track Record Period.

The increase in our revenue from sales of algal oil DHA products from approximately RMB310.2 million for FY2021 to approximately RMB340.6 million for FY2022 was mainly driven by our U.S. DHA Products, the revenue from which increased from approximately RMB55.3 million for FY2021 to approximately RMB90.8 million for FY2022 and the sales volume of which increased from approximately 246,000 units for FY2021 to approximately 384,000 units for FY2022. We adopted the cross-border e-commerce model for our U.S. DHA Products. According to the Frost & Sullivan Report, the cross-border e-commerce model is a relatively new import model in the PRC market in recent years, and thus it has a greater potential for growth as compared to traditional general trade model. Since cross-border imported DHA products are generally perceived by PRC consumers as foreign-made products for foreign markets, and because cross-border e-commerce model does not involve tariffs, the selling prices are usually more competitive. As a result, cross-border imported DHA products began to gain popularity among PRC consumers. This consumer behaviour was particularly pronounced during the pandemic, driving a significant increase in the sales value of cross-border imported DHA in 2022, in which we benefited from it and recorded a significant increase in our sales and revenue from U.S. DHA Products.

For FY2023, our revenue from sales of algal oil DHA products increased significantly to approximately RMB404.1 million from approximately RMB340.6 million for FY2022. According to the Frost & Sullivan Report, with COVID-19 largely behind in the PRC and the PRC government implementing significant consumption stimulus policies, (i) the growth in disposable income per capita in the PRC witnessed a sharper increase from 2022 to 2023 (i.e. from approximately RMB36.9 thousands to approximately RMB39.2 thousands) as compared to that from 2021 to 2022 (from approximately RMB35.1 thousands to RMB36.9 thousands); (ii) the growth in retail sales value of nutritional product industry in the PRC also witnessed a sharper increase from 2022 to 2023 (i.e. from approximately RMB235.8 billion to RMB260.1 billion) as compared to that from 2021 to 2022 (from approximately RMB212.4 billion to RMB235.8 billion). As the largest domestic brand in terms of retail sales value of algal oil DHA products made from imported raw materials according to the Frost & Sullivan Report, we benefited from the market growth during FY2023. In addition, benefiting from the market reaction and heightened safety concerns driven by the release of radioactive water by Japan first started in August 2023, we recorded more revenue in the second half of FY2023 than in the first half of FY2023. According to the Frost & Sullivan Report, the release of radioactive water from Fukushima, Japan, raised concerns about its potential impact on marine ecosystems, which triggered the consumers to stockpile DHA products that were manufactured before the release, and as a result the overall retail sales value of nutritional supplement industry in the PRC increased.

For 6M2024, our revenue from sales of algal oil DHA products decreased to approximately RMB140.5 million from RMB179.7 million for 6M2023. Such decrease was mainly driven by (i) the effect of stockpiling behaviour by consumers due to the release of radioactive water by Japan in the second half of 2023 which dampened sales in 2024 as the nutritional supplement market faced reduced demand following the spike in 2023; (ii) the economic downturn in the PRC during the first half of 2024 according to the Frost & Sullivan Report. For instance, per capita consumer expenditure nationwide only rose by approximately 6.8% from the first half of 2023 to the first half of 2024, marking a slowdown in growth as compared to the increase of approximately 8.4% from the first half of 2022 to the first half of 2023. As advised by Frost &

Sullivan, this sharp decline underscores the impact of the economic downturn on consumer confidence and spending habits, and as a result the nutritional supplement industry, alongside other non-essential consumer products industries, are directly hit by the economic slowdown as consumers tend to reserve their purchasing power for essential consumer products.

Revenue recognition under each of the sales channels

As disclosed in the paragraph headed "Critical and material accounting policy information — Revenue recognition" in this section above, our Group recognises revenue when our Group satisfies a performance obligation by transferring control of our products to our customers. The following table sets forth the summary of our revenue recognition policy by major sales channels:

	Direct sales to e-commerce companies	**Sales through online shopping platforms to our customers**	**Sales to regional distributors**
Online or offline	Online	Online	Offline
Approximate percentage of revenue contribution during the Track Record Period	FY2021: 48.7% FY2022: 45.7% FY2023: 48.6% 6M2024: 57.6%	FY2021: 15.4% FY2022: 20.6% FY2023: 20.4% 6M2024: 18.0%	FY2021: 34.3% FY2022: 31.2% FY2023: 25.4% 6M2024: 18.0%
Customers of our Group	E-commerce companies	Customers ordering through the online shopping platforms	Regional distributors
Role of our Group (from the perspective of our revenue recognition)	Principal	Principal	Principal
Role of the counterparty (from the perspective of our Group)	Principal of the e-commerce companies' customers	Service provider of our Group. The service provider provides an online shopping platform for our Group to sell our products	Principal of the regional distributors' customers
Pricing determination	Generally determined by the e-commerce companies	Our Group	Regional distributors
Inventory risk (upon the products are sold by our Group)	E-commerce companies	Customers ordering through online shopping platforms	Regional distributors
Timing of revenue recognition	At the time when we deliver our products	At the time when we deliver our products	At the time when we deliver our products
Basis of amount of revenue recognised	Gross, net of Market Incentives	Gross	Gross, net of Market Incentives
Party who is primarily responsible for providing the products (from the prospective of our revenue recognition)	Our Group	Our Group	Our Group

Cost of sales

Cost of sales included costs of inventories and transportation charge. The following table sets forth the breakdown of our cost of sales by nature for the years/periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Costs of inventories	89,173	98.0	91,011	96.7	103,847	98.3	45,027	96.8	40,385	98.2
Transportation charge	1,837	2.0	3,096	3.3	1,831	1.7	1,495	3.2	738	1.8
Total cost of sales	**91,010**	**100.0**	**94,107**	**100.0**	**105,678**	**100.0**	**46,522**	**100.0**	**41,123**	**100.0**

Costs of inventories mainly include cost of purchasing finished products, work-in-progress, raw materials and packaging costs.

The following table sets forth the breakdown of our cost of sales by products for the years/periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Algal oil DHA products	77,990	85.7	81,605	86.7	97,007	91.8	41,864	90.0	37,445	91.1
Probiotics products	12,389	13.6	9,501	10.1	7,728	7.3	3,512	7.5	3,445	8.4
Vitamins products	181	0.2	187	0.2	195	0.2	75	0.2	42	0.1
Multi-nutrients products	329	0.4	412	0.4	252	0.2	161	0.3	49	0.1
Algal calcium products	121	0.1	157	0.2	81	0.1	75	0.2	—	—
Milk powder products	—	—	2,245	2.4	415	0.4	835	1.8	142	0.3
Total cost of sales	**91,010**	**100.0**	**94,107**	**100.0**	**105,678**	**100.0**	**46,522**	**100.0**	**41,123**	**100.0**

Our cost of sales increased from approximately RMB91.0 million for FY2021 to approximately RMB94.1 million for FY2022, and further increased to approximately RMB105.7 million for FY2023. Such increase was in line with our increase in revenue.

For 6M2024, our cost of sales amounted to approximately RMB41.1 million, representing a decrease of approximately RMB5.4 million from approximately RMB46.5 million for 6M2023. Such decrease was in line with our decrease in revenue.

Gross profit and gross profit margin

The following table sets forth the breakdown of gross profit and gross profit margin by product categories for the years/periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Algal oil DHA products	232,226	74.9	259,005	76.0	307,141	76.0	137,818	76.7	103,026	73.3
Probiotics products	11,445	48.0	9,984	51.2	10,704	58.1	6,396	64.6	1,448	29.6
Vitamins products	1,656	90.1	838	81.8	495	71.6	319	81.0	181	81.2
Multi-nutrients products	982	74.9	1,599	79.5	955	79.2	517	76.3	159	76.4
Algal calcium products	289	70.5	381	70.8	155	65.7	161	68.2	—	—
Milk powder products	—	—	1,383	38.1	1,417	77.3	343	29.1	149	51.2
Total gross profit/overall gross profit margin	**246,598**	**73.0**	**273,190**	**74.4**	**320,867**	**75.2**	**145,554**	**75.8**	**104,963**	**71.9**

The following table further sets forth the breakdown of gross profit and gross profit margin by sales channels for the years/periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Online sales channels:										
Direct sales to e-commerce companies	125,839	75.7	147,743	75.8	188,834	79.5	83,125	78.3	71,845	75.6
Sales through online shopping platforms to our customers	40,598	80.8	40,305	83.4	48,091	85.2	19,317	81.9	12,572	82.1
Others *(Note)*	—	—	—	—	1,280	12.8	1,609	61.8	2,473	33.2
Sub-total	166,437	76.9	188,048	77.3	238,205	77.3	104,051	78.6	86,890	73.7
Offline sales channels:										
Sales to regional distributors	75,756	65.5	77,517	67.5	77,296	68.9	36,832	68.5	16,671	63.1
Others *(Note)*	4,405	80.1	7,625	81.5	5,366	82.8	4,671	78.3	1,402	76.9
Sub-total	80,161	66.2	85,142	68.6	82,662	69.7	41,503	69.5	18,073	64.0
Total	**246,598**	**73.0**	**273,190**	**74.4**	**320,867**	**75.2**	**145,554**	**75.8**	**104,963**	**71.9**

Note: Others include direct sales to retail outlets and miscellaneous sales.

Our gross profit increased from approximately RMB246.6 million for FY2021 to approximately RMB273.2 million for FY2022, and further increased to approximately RMB320.9 million for FY2023. Such increase was in line with our revenue growth for the corresponding years. For 6M2024, our gross profit amounted to approximately RMB105.0 million, representing a decrease of approximately RMB40.6 million from approximately RMB145.6 million for 6M2023. Such decrease was in line with our decrease in revenue. During the Track Record Period, our gross profit was substantially contributed by algal oil DHA products.

The gross profit margin of our products is primarily affected by our selling price and cost of finished products. Gross profit margin of our sales channels is generally affected by various factors such as cost incurred in each sales channel and sales discounts rate we offered. Our Marketing Incentives offered to our customers are determined by us based on factors such as the years of relationship, the prevailing market condition and whether our customers are the end customers.

Gross profit margin of sales through online sales channels was the highest among all sales channels mainly due to the lower discount rate granted to the online sales channels as we had to face our customers directly through the provision of customer services and after-sales services to our customers on the online shopping platforms. The gross profit margin of sales to regional distributors was the lowest among all sales channels mainly due to the higher discount rate granted to the regional distributors considering the relatively higher cost involved in offline sales channels, for example, the regional distributors would need to conduct promotion of our products in their respective designated distribution regions.

Our overall gross profit margin remained relatively stable at approximately 73.0%, 74.4%, 75.2% and 75.8% for FY2021, FY2022, FY2023 and 6M2023, respectively, and slightly decreased to approximately 71.9% for 6M2024. In particular, our gross profit margin of algal oil DHA products remained relatively stable at approximately 74.9%, 76.0%, 76.0% and 76.7% for FY2021, FY2022, FY2023 and 6M2023, respectively, and slightly decreased to approximately 73.3% for 6M2024. Our slight decrease in overall gross profit margin for 6M2024 was primarily driven by the decrease in gross profit margin for direct sales to e-commerce companies mainly in respect of algal oil DHA, which was mainly due to a lower selling price. As disclosed above, there was an economic downturn in the PRC during the first half of 2024 according to Frost & Sullivan, which led to fierce price competition.

Other income

The following table sets forth the breakdown of our other income for the years indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Government grants	7,565	89.0	9,308	78.9	10,966	81.4	9,268	89.4	10,776	84.5
Interest income	477	5.6	718	6.1	2,187	16.2	852	8.2	1,554	12.2
Compensation from litigation claims	—	—	1,306	11.1	60	0.5	—	—	—	—
Compensation income from customers	352	4.1	374	3.2	164	1.2	158	1.5	205	1.6
Others	111	1.3	87	0.7	97	0.7	97	0.9	220	1.7
Total other income	**8,505**	**100.0**	**11,793**	**100.0**	**13,474**	**100.0**	**10,375**	**100.0**	**12,755**	**100.0**

Our other income mainly included government grants, compensation from litigation claims, compensation income from customers and interest income. Our other income amounted to approximately RMB8.5 million, RMB11.8 million, RMB13.5 million, RMB10.4 million and RMB12.8 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively.

Government grants

Government grants represented fiscal supports by the relevant government authorities to our subsidiaries which carried out their businesses in designated tax incentive zones in Shanghai, the PRC. There was no unfulfilled condition or contingency relating to the government grants.

Interest income

The significant increase in our interest income of approximately RMB1.5 million from approximately RMB0.7 million for FY2022 to approximately RMB2.2 million for FY2023 was mainly due to the increase in our bank balance and interest rate.

Compensation from litigation claims

During FY2022, our Group recognised compensation from litigation claims of approximately RMB1.3 million involving our subsidiary Gold Nemans in respect of our registered trademarks.

Compensation from customers

Compensation from customers represented penalty levied on customers for the Unauthorised Distribution which were prohibited under the distribution agreements entered into between our regional distributors and our Group.

Other (losses)/gains, net

The following table sets forth the breakdown of our other (losses)/gains, net, for the years/periods indicated:

	FY2021	FY2022	FY2023	6M2023	6M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Write-down of inventories (excluding milk powder products)	(5,910)	(2,909)	(3,689)	(388)	(389)
Provision for inventories (excluding milk powder products)	—	—	(2,155)	—	—
(Losses)/gains relating to milk powder products:	—	(81,477)	5,468	—	160
Write-down of milk powder products	—	*(17,699)*	—	—	—
(Provision for)/reversal of inventories loss on milk powder products	—	*(20,687)*	*415*	—	*142*
Provision for loss allowance on deposits paid to Ausnutria Group	—	*(20,149)*	—	—	—
(Provision for))/reversal of onerous contracts	—	*(17,952)*	*5,000*	—	—
Changes in input VAT arising from (reversal of) provision for inventories loss on milk powder products	—	*(4,990)*	*53*	—	*18*
(Provision for)/reversal of loss allowances on trade receivables, net	(1,538)	61	(174)	(1,214)	(246)
Write-down of other receivables	—	(4)	(207)	(29)	—
Exchange (loss)/gain, net	(458)	50	1,163	(404)	131
Loss on disposal of property, plant and equipment, net	—	(90)	(16)	(7)	—
Total other (losses)/gains, net	**(7,906)**	**(84,369)**	**390**	**(2,042)**	**(344)**

Write-down of inventories (excluding milk powder products)

We wrote down our inventories (excluding milk powder products) mainly due to expiry of shelf-life, obsolesce or scrapped packaging. The write-down of inventories (excluding milk powder products) during the Track Record Period was mainly in respect of algal oil DHA and probiotics products.

Losses relating to milk powder products

During FY2022, FY2023 and, to a very limited extent, 6M2024, we sold milk powder products, which were purchased from Ausnutria Group, under the brands licensed by Ausnutria Group (the "**Milk Powder Brands**"). Our milk powder products comprised five products, namely (i) Infant Formula, Stage 1 ("**Stage 1 Formula**"); (ii) Follow Up Formula, Stage 2; (iii) Growing Up Formula, Stage 3; (iv) Organic Children Formula; and (v) High Calcium Low Fat Milk Powder. For details of our milk powder products, please refer to the paragraph headed "Business — Our products" in this document. The five milk powder products we purchased from Ausnutria Group were imported from Australia and New Zealand.

Ausnutria Group consists of a group of companies, the holding company of which is listed on the Stock Exchange. Ausnutria Group is headquartered in the PRC and is principally engaged in (i) the dairy industry with activities ranging from R&D, milk collection, processing, production, packaging, marketing and distribution of infant formula and other dairy products to customers in the PRC, the Netherlands, Australia and other overseas countries; and (ii) R&D, production, marketing and distribution of nutrition products to customers principally located in the PRC and Australia. According to the latest annual report of Ausnutria Group, its revenue amounted to over RMB7.7 billion for the year ended 31 December 2022. Ausnutria Group possesses nine factories in the PRC, the Netherlands, Australia and New Zealand, and has a diversified product portfolio including, amongst others, infant formula, toddler formula and adult formula. Save for Ausnutria Group being a supplier of our Group, Ausnutria Group and its shareholders and directors are independent third parties and have no past or present relationships (including, but not limited to, employment, trust, financing, or family relationship) with our Group, our Directors, shareholders, senior management or any of their respective associates.

In April 2022, the SAMR announced that a batch of Stage 1 Formula (but not the non-Stage 1 Formulas) under the Milk Powder Brands manufactured back in February 2020 was found to contain vanillin (香蘭素) (the "**Incident**") during a sample testing conducted by SAMR, which was against the national food safety standard of the PRC. Vanillin is a chemical most widely used as a flavouring agent in food, including diary products. As a result of the Incident, Ausnutria Group was required to recall the batch of stage 1 formula involved and was fined for approximately RMB9.6 million by the relevant local administration for market regulation.

The Stage 1 Formula we purchased from Ausnutria Group was not the batch which was found to contain vanillin.

Background of our collaboration with Ausnutria Group

In or around September 2021, we understood that Ausnutria Group was looking for a business partner to distribute milk powder products under its brands in the PRC. Our Directors believed that, having considered the following, it would be beneficial to our business to expand our product portfolio to milk powder products and thus we commenced negotiations with Ausnutria Group:

1. As a proprietary brand owner in the algal oil DHA segment in the maternal and children nutritional product industry in the PRC, we position our nutritional products as high quality nutritional products, targeting consumers ranging from pregnant and postpartum women, infants to children, catering for their needs in various stages of life. Our Directors believed that the target consumer group of milk powder products overlapped with those of our algal oil DHA products;

2. Our Directors believed that leveraging on our existing established sales and distribution networks for our nutritional products, we had the capability and resources to sell and distribute milk powder products;

3. According to Frost & Sullivan, there are strong consumers' preference towards milk powder products imported from Australia and New Zealand, which are generally perceived to be of high quality, safe and reliable; and

4. Our Directors conducted a market research on the milk powder products in the PRC, and understood that (i) the overall milk powder market was expected to benefit from the three-child policy announced in May 2021; (ii) the proportion of children aged 3+ was expected to increase; and (iii) the total sales value of milk powder in the PRC increased from approximately RMB3,310 million in 2019 to approximately RMB4,800 million in 2020 to approximately RMB6,350 million in 2021. Based on the historical growth of the sale value of milk powder in the PRC, our Directors at the material time expected the milk powder market in the PRC will continue to grow.

The Incident

During the course of negotiation, in or around December 2021, the management of Ausnutria Group verbally informed us that Ausnutria Group was notified by the SAMR of the Incident during a sample testing conducted by the SMAR. At that time, both Ausnutria Group and our Group were not contemplating any severe penalty on Ausnutria Group in connection with the Incident, nor the extent of the negative publicity arising from the Incident. Having evaluated the following considerations and conducted various internal discussions amongst our Directors and senior management, we considered that the Incident was an isolated event, and continued to finalise our negotiations with Ausnutria Group:

1. The outcome of the Incident at the material time was not yet sealed. In addition, there was no record of similar previous incidents involving Ausnutria Group. According to Ausnutria Group, it has been engaging in the production of milk formula since 2003. Before the Incident, we were not aware of any allegation that stage 1 infant formula supplied by Ausnutria Group contained vanillin.

2. The Incident only involved Stage 1 Formula, whereas our contemplated collaboration with Ausnutria Group also involved non-Stage 1 Formulas. As discussed above, vanillin is commonly found in dairy products and is allowed in stage 2 or above formula under the national standard in the PRC. As such, we believed that the impact (if any) on the brand image of the Milk Powder Brands would be limited to stage 1 infant formula, and the impact on the sales of stage 2 or above formula and adult milk powder products (if any) would be minimal.

3. We attained understanding of the nature and usage of vanillin. Vanillin is a chemical most widely used as a flavouring agent in food, including dairy products. According to the section headed "Scientific Interpretation of Vanillin" in the Food Safety Analysis Compilation (2014–2018) (《食品安全分析解析彙編(2014–2018)》), based on data accumulated in toxicological experiments, it is believed that the rational use of vanillin is safe, and, as a food additive, vanillin has passed a standardised and scientific food safety risk assessment, and it is believed that vanillin used in accordance with relevant standards will not cause harm to human health.

   According to the then applicable National Food Safety Standard — Standards for Uses of Food Additives (National Standard 2760–2014)* (食品安全國家標準食品添加劑使用標準) promulgated by the National Health and Family Planning Commission (which had been dissolved and relevant functions and powers are change to the SAMR), vanillin was allowed to be used in formula for infants and toddlers aged 6–12 months (which corresponds to stage 2 or above formula) within the prescribed limit, while its use is prohibited in formula for infants aged 0–6 months (which corresponds to stage 1 formula).

4. Based on our previous site visit to the manufacturing facilities of Ausnutria Group, we were not aware of apparent flaw in Ausnutria Group's production process.

5. We conducted a feasibility study for selling and distributing milk powder products supplied by Ausnutria Group, and it was considered that such plan was commercially and legally feasible.

6. We assessed the background of Ausnutria Group (as disclosed above), and our Directors were of the view that Ausnutria Group is a reputable and established market player in milk powder products with years of experience.

Original agreements with Ausnutria Group

In December 2021, we entered into agreements with Ausnutria Group whereby:

(i) the initial term of collaboration was five years;

(ii) we are required to pay a purchase deposit of 80% of the purchase amount for each batch of purchase and the remaining balance upon despatch;

(iii) we shall be subject to an annual minimum purchase volume for aggregate purchase volume of stage 1 to stage 3 formula under the Milk Powder Brands. If we failed to reach the minimum purchase volume, we shall compensate Ausnutria Group for the loss suffered by Ausnutria Group based on the deficit to the minimum purchase volume;

(iv) Ausnutria Group granted to us a world-wide exclusive right to distribute milk powder products under the Milk Powder Brands, including infant formula, children formula and adult milk powder products; and

(v) Ausnutria Group would supply milk powder products under the Milk Powder Brands to us.

After entering into our agreements with Ausnutria Group, we have conducted the following activities in preparation for selling and distributing milk powder products:

(a) regularly communicated with Ausnutria Group regarding production schedule and details of our purchase;

(b) organised a conference with our regional distributors in January 2022 to discuss marketing and promotion strategies of our milk powder products; and

(c) engaged marketing companies to promote our milk powder products through online social media platforms and various offline marketing events.

Remedial actions taken by Ausnutria Group and our Group

Upon being notified by Ausnutria Group in April 2022 that Ausnutria Group was fined by the SAMR in relation to the Incident, we immediately formed an internal committee comprising Mr. Wang (our Chairman, Chief Executive Officer and executive Director), Mr. An Yong (our general manager), Ms. Sun Mei (our financial manager) and Mr. Wang Kan (our head of external trade) and took the following actions:

1. Despite there was a lock down in Shanghai due to COVID-19 at the material time, we held regular conference calls and online meetings with Ausnutria Group to understand the remedial actions taken by Ausnutria Group.

2. We inquired with Ausnutria Group for the root cause of Incident. According to Ausnutria Group, the relevant batch of milk powder products was manufactured at its production facilities located in Australia. Before the Incident, such production facilities manufactured both stage 1 infant formula which is not allowed in the PRC to contain vanillin, as well as other milk powder products which vanillin is allowed. The production facilities would arrange cleaning of the machinery when it switched the products to be manufactured. Vanillin was not intentionally added in the batch of stage 1 infant formula concerned in the Incident. The Incident was believed to have arisen because the production facilities have been used to manufacture other products with vanillin and hence there might be residue of vanillin of the previous batch of products remained in the production pipelines and containers of the production

facilities, and mixed into the batch of stage 1 infant formula concerned. In the circumstances, according to Ausnutria Group, Ausnutria Group was not intentional in mixing vanillin into those stage 1 infant formula.

3. We inquired with Ausnutria Group for their remedial actions. According to Ausnutria Group, the batch of stage 1 infant formula concerned was recalled by the end of December 2021 and none of those batch of stage 1 formula was on sale in the market. Ausnutria Group arranged testing of the other batches of its stage 1 infant formula, and no vanillin was found and satisfied the national food safety standard of the PRC.

4. We inquired with Ausnutria Group for their actions taken to ensure similar incident will not occur in the future. According to Ausnutria Group, after the Incident, it has enhanced its internal control measures to prevent vanillin to be accidentally mixed into its stage 1 infant formula, including improvement of the factory management system, adjusting and optimising the cleaning procedures for switching products to be produced, further strengthening the risk monitoring and management of its products. Furthermore, after the Incident, Ausnutria Group designated production lines for production of stage 1 infant formula and such production lines shall not be used for producing other milk powder products which vanillin is used, aiming to completely eliminate any source of vanillin residue in the production lines for stage 1 infant formula.

5. We discussed with those e-commerce companies and regional distributors which we negotiated with in respect of collaboration of purchasing our milk powder products. Based on our discussion with them, they were of the view that the impact of the Incident was likely to be short-term.

Following a series of discussion among our internal committee, in or around May 2022, we commenced our negotiation with Ausnutria Group, and the management of Ausnutria Group orally agreed, to relieve our minimum purchase commitment for 2022 and 2023 and at the same time the minimum purchase commitment beyond was to be further assessed and agreed. Subsequent to that, our Group actively followed up with Ausnutria Group to finalise the written supplemental agreement. As the relevant personnel of Ausnutria Group had been away on business trip, our Group and Ausnutria Group eventually reached a supplemental agreement in November 2022, pursuant to which:

(i) Ausnutria Group agreed to waive our minimum purchase commitment for 2022 and 2023, save that our Group was required to fulfil our purchase orders already placed in January and May 2022;

(ii) in respect of the orders already placed by our Group, our Group was required to pay 60% of the purchase amount by 31 December 2022 and the remaining balance within seven days upon delivery; and

(iii) our Group was required to compensate Ausnutria Group for the costs incurred by Ausnutria Group for acquiring raw materials for scheduled production of milk powder products.

In addition, we have also conducted the following activities to promote our milk powder products notwithstanding Ausnutria Group agreed to waive the minimum purchase commitment for 2022 and 2023:

(a) participated in various exhibitions to promote our milk powder products;

(b) engaged marketing companies to further intensify promotion of our milk powder products, for example, through attracting online traffic in popular social media platforms in the PRC such as Xiaohongshu, WeChat and Weibo; and

(c) rolled out special sales offers such as "buy two get one free" offer to stimulate our sales volume.

Unforeseen events affecting our sales of milk powder products

Despite our efforts in marketing and promotion, the sales of our milk powder products was way lower than our expectation. The following table sets forth the breakdown of our sales and purchase of milk powder products by types of milk powder products for the year indicated:

	FY2022		**FY2023**		**6M2024**	
	RMB'000	*Unit '000*	*RMB'000*	*Unit '000*	*RMB'000*	*Unit '000*
Stage 1 Formula	9,024	89	7,613	82	—	—
Non-Stage 1 Formulas	32,532	318	22,503	236	—	—
Total purchase of milk powder products	**41,556**	**407**	**30,116**	**318**	**—**	**—**

	FY2022		**FY2023**		**6M2024**	
	RMB'000	*Unit '000*	*RMB'000*	*Unit '000*	*RMB'000*	*Unit '000*
Stage 1 Formula	551	2	236	1	43	—*
Non-Stage 1 Formulas	3,077	16	1,596	10	248	1
Total sales of milk powder products	**3,628**	**18**	**1,832**	**11**	**291**	**1**

* Represent unit less than 1,000.

Our Directors are of the view that the lack of fruition of the sales of our milk powder products was mainly attributable to the following unforeseen events:

(a) ***Outbreak of COVID-19 in the PRC leading to prolonged lockdowns during FY2022:*** Shortly after we commenced selling and distributing the milk powder products, there were various rounds of outbreak of COVID-19 in the PRC leading to prolonged lockdowns in various cities in the PRC, in particular the government imposed lockdown in Shanghai from March to June 2022. According to Frost & Sullivan, due to inconvenience for procuring essentials during lockdown, consumers are less willing to change their essential products. As a result, we considered that the marketing

strategies by our Group and our distributors resulted in minimal promotional effects for the milk powder products in the first half of 2022 and the sales of milk powder products was much lower than expected.

(b) ***The effect of negative publicity of the Incident was more severe than expected:*** The SAMR announced the Incident as well as the penalty on Ausnutria Group on 2 April 2022. Ausnutria Group issued a declaration explaining the background of the Incident and measures adopted by it on the same day, with an intention to reduce the impact of the Incident on the brand image of the Milk Powder Brands. However, unforeseeably, negative publicity about the stage 1 infant formula under the Milk Powder Brands was more serious than expected, and the negative impact extended to all products of the Milk Powder Brands. Our Group considered that such serious level of negative publicity was resulted from the increasing awareness of safety of formula after the release of the new national food safety standard of the PRC for milk powder products ("**New National Standard**") in early 2021.

(c) ***The massive outbreak of COVID-19 in the PRC in late 2022:*** In late 2022 and early 2023, having considered that the negative publicity of the Incident had started to cool down, we have implemented a series of promotion strategies for the milk powder products (including promotion by KOLs), aiming to increase the sales of the milk powder products in late FY2022. However, sales of milk powder products remained much lower than expected. Our Directors consider that this was mainly due to another massive outbreak of COVID-19 in the PRC in December 2022 and consumers are less willing to change their essential products.

(d) ***Implementation of New National Standard in February 2023:*** The New National Standard was released in early 2021 and become effective from 22 February 2023. According to Frost & Sullivan, as at June 2024, 390 series under 89 dairy companies have passed the registration of the new national standard, and currently 69 series of imported milk powder have passed the new national standard, accounting for approximately 17.7% of the new national standard products. In particular, the Milk Powder Brands had not obtained the accreditation. While milk powder products manufactured before 22 February 2023 could be legally sold in the PRC within its shelf life, consumers considered accreditation under the New National Standard to be an indication of quality and safety of the milk powder products according to Frost & Sullivan, our sales of milk powder products remained low in early 2023.

Disposal of our milk powder products

Our milk powder products have a shelf life of 24 months. According to the framework distribution agreements with our regional distributors, the milk powder products supplied by our Group shall be manufactured within eight months before delivery. Upon delivery, the products shall not have passed more than one-third of their shelf life.

During FY2022 and FY2023, considering that we were unable to sell some of our milk powder products which no longer satisfy the requirements on shelf life as aforementioned to our regional distributors, we disposed of some of our milk powder products to an independent third party, which recycled the milk powder products to poultry feeds in February 2023. In addition, during FY2023, we donated some of our milk powder products. The following table sets forth the breakdown of our milk powder products disposed of and donated by types of milk powder products for the year indicated:

	Recycled			Donated		
	FY2022	**FY2023**	**6M2024**	**FY2022**	**FY2023**	**6M2024**
	Unit '000	*Unit '000*	*Unit '000*	*Unit '000*	*Unit '000*	*Unit '000*
Stage 1 Formula	46	10	—	—	25	1
Non-Stage 1 Formulas	134	23	—	—	90	57
Total disposal of milk powder products	**180**	**33**	**—**	**—**	**115**	**58**

The following table sets forth the breakdown of our milk powder products in inventories as at the dates indicated:

	As at 31 December 2022	**As at 31 December 2023**	**As at 30 June 2024**
	Unit '000	*Unit '000*	*Unit '000*
Stage 1 Formula	41	96	85
Non-Stage 1 Formulas	168	305	222
Total milk powder products in inventories	**209**	**401**	**307**

As at 31 December 2022, 31 December 2023 and 30 June 2024, all the milk powder products in our inventories had been either fully written down or provided for.

Financial impact

As a result of our purchase commitment with Ausnutria Group, combined with the low sales volume of our milk powder products, we incurred losses of approximately RMB81.5 million for FY2022, of which, (i) we fully wrote down our expired milk powder products in our inventories amounting to approximately RMB17.7 million; (ii) we recognised a provision for inventories loss on milk powder products amounting to approximately RMB20.7 million; (iii) we recognised a provision for loss allowance on deposits paid to Ausnutria Group for fulfilling a portion of our purchase commitment amounting to approximately RMB20.1 million; (iv) we recognised a provision of approximately RMB18.0 million which included the amount to be paid for the milk powder products of approximately RMB13.0 million and the potential compensation to Ausnutria Group amounting to approximately RMB5.0 million in respect of cost incurred by Ausnutria Group for acquiring raw materials for scheduled product of milk powder products; and (v) we recognised a reversal of input VAT of approximately RMB5.0 million.

Termination of the agreements with Ausnutria Group

In mid-2023, for the reasons set out above, the sales of milk powder products remained slump. In the circumstances, our Directors consider that, as a result of a series of unforeseen, we have already missed out on the best timing for capturing the opportunity for tapping into the milk powder industry through selling and distributing the milk powder products under the Milk Powder Brands. As a result, our management negotiated with Ausnutria Group to terminate the milk powder products collaboration.

In October 2023, we reached an agreement with Ausnutria Group to terminate all of our agreements with Ausnutria Group relating to milk powder products. Following the entering into of the termination agreement, we de-recognised our provision for onerous contacts and recognised approximately RMB5.0 million as reversal of provision for onerous contracts for FY2023.

Our Directors are of the view that the Incident was an isolated event, and that the unsatisfactory sales performance of our milk powder products was attributable to a series of unforeseen events which were beyond our control. Upon termination of the abovementioned agreements with Ausnutria Group, we have no plan to resume milk powder business in the near future, and will not use any [REDACTED] from the [REDACTED] on any milk powder business.

Recommendations by the Internal Control Consultant

In the event that our Group intends to commence any business in new products with material financial commitment or enter into any significant contracts in the ordinary course of our business, in order to mitigate the risks of any substantial loss to be suffered by our Group, the independent internal control consultant engaged by us has made the following recommendations, which we have adopted:

1. our Board (including the independent non-executive Directors) and various internal departments of our Company (including but not limited to the accounting and finance department and legal department) are jointly responsible for evaluating the terms of the agreements, in particular, any material financial commitment;

2. before entering into the agreements, our Group shall engage external market consultants approved by our Board to conduct full scope of industry studies;

3. before entering into the agreements, our Group shall engage external legal advisers to review the agreements and, in particular, any onerous terms;

4. before entering into the agreements, our accounting and finance department shall prepare detailed budgets and forecasts, factoring in the worst-case scenario and force majeure scenario, and financial analysis on the maximum exposure and impact on our Group in the event force majeure scenario materialises;

5. upon [REDACTED], any decision to embark on any new products with material financial commitment must be unanimously approved by the independent non-executive Directors. All information necessary for the independent non-executive Directors to assess the intended business shall be provided for the independent non-executive Directors' consideration, and the independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter(s) relating to the intended business; and

6. if we commence any business in new products with material financial commitment, the internal departments of our Company shall regularly report to the Audit Committee and the Board, and hold progress meetings to monitor the development and sales performance of such new products. Our independent non-executive Directors will conduct half yearly review of the transactions thereunder.

Selling and distribution expenses and administrative and other operating expenses

The following table sets forth the breakdown of our selling and distribution expenses for the years/periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Promotion expenses	25,562	40.1	31,203	39.5	49,744	48.5	20,777	46.3	32,148	66.9
Compensation to regional distributors	17,924	28.1	14,695	18.6	8,764	8.5	3,578	8.0	2,093	4.4
Staff costs	8,537	13.4	8,861	11.2	9,883	9.6	4,875	10.9	2,721	5.7
Platform management service fee	—	—	7,438	9.4	13,392	13.1	6,419	14.3	2,658	5.5
Platform service fee	3,268	5.1	3,012	3.8	4,843	4.7	2,998	6.7	2,363	4.9
Courier expenses	4,381	6.9	5,953	7.6	8,320	8.1	2,960	6.6	3,482	7.2
Depreciation of right-of-use assets	1,117	1.8	2,328	3.0	2,558	2.5	1,253	2.8	1,158	2.4
Storage fee	829	1.3	1,849	2.3	1,686	1.6	833	1.9	398	0.8
Entertainment	1,282	2.0	879	1.1	1,656	1.6	480	1.1	552	1.1
Others	908	1.3	2,784	3.5	1,732	1.7	679	1.4	510	1.1
Total selling and distribution expenses	**63,808**	**100.0**	**79,002**	**100.0**	**102,578**	**100.0**	**44,852**	**100.0**	**48,083**	**100.0**

Our selling and distribution expenses mainly included promotion expenses, compensation to regional distributors, staff costs, platform management service fee, platform service fee, courier expenses and depreciation of right-of-use assets. Our selling and distribution expenses amounted to approximately RMB63.8 million, RMB79.0 million, RMB102.6 million, RMB44.9 million and RMB48.1 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively.

The following table sets forth the breakdown of our administrative and other operating expenses for the years/periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Staff costs	5,091	27.6	5,319	31.5	6,717	27.7	3,372	28.5	3,454	28.5
Legal and professional fees	4,103	22.3	2,098	12.4	3,768	15.5	2,522	21.3	1,063	8.8
Stamp duties and additional taxes	2,745	14.9	1,808	10.7	2,824	11.6	974	8.2	962	7.9
Depreciation of property, plant and equipment	1,435	7.8	1,524	9.0	1,394	5.7	803	6.8	335	2.8
Depreciation of right-of-use assets	1,019	5.5	959	5.7	952	3.9	476	4.0	476	3.9
Office expenses	570	3.1	823	4.9	801	3.3	372	3.1	625	3.9
Technical service fee	162	0.9	1,905	11.3	887	3.7	267	2.3	626	5.2
Entertainment	1,022	5.6	625	3.7	626	2.6	167	1.4	50	0.4
VAT arising from donation of milk powder products	—	—	—	—	2,420	10.0	1,067	9.0	2,163	17.8
Donation	—	—	300	1.8	1,008	4.2	360	3.1	—	—
Service expenses	606	3.3	605	3.6	343	1.4	206	1.7	164	1.4
Travelling expenses	394	2.1	260	1.6	1,353	5.6	763	6.4	1,382	11.4
Others	1,278	6.9	647	3.8	1,156	4.8	487	4.2	831	6.9
Total administrative and other operating expenses	**18,425**	**100.0**	**16,873**	**100.0**	**24,249**	**100.0**	**11,836**	**100.0**	**12,131**	**100.0**

Our administration and other operating expenses mainly included staff costs, legal and professional fees, stamp duties and additional taxes, depreciation of property, plant and equipment and right-of-use assets. Our administrative and other operating expenses amounted to approximately RMB18.4 million, RMB16.9 million, RMB24.2 million, RMB11.8 million and RMB12.1 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively.

Promotion expenses

Our promotion expenses mainly represented our expenses incurred for promoting our brands and products through online shopping platforms, maternity and child websites, celebrities and bloggers, participating in exhibitions and conferences, and sponsoring academic conferences and seminars targeting our consumers.

Our promotion expenses increased from approximately RMB25.6 million for FY2021 to approximately RMB31.2 million for FY2022, and increased to approximately RMB49.7 million for FY2023. Such increase was in line with the growth of our revenue.

Our promotion expenses increased from approximately RMB20.8 million for 6M2023 to approximately RMB32.1 million for 6M2024. In light the low market sentiment of the maternal and children algal oil DHA market in the PRC during 6M2024 which saw the drop of our revenue, we incurred more promotion expenses to promote our brands and products.

Compensation to regional distributors

Compensation to regional distributors represented our compensation to our Type A regional distributors in respect of our sales through online shopping platforms to our customers in the designated distribution regions of the relevant Type A regional distributors, including certain five largest regional distributors during the Track Record Period.

Our compensation to regional distributors amounted to approximately RMB17.9 million, RMB14.7 million, RMB8.8 million, RMB3.6 million and RMB2.1 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively.

Staff costs

Our total staff costs (including Directors' emoluments) represented salaries, discretionary bonus, allowances, other benefits in kind and contributions to defined contribution plan. Our total staff costs increased from approximately RMB13.6 million for FY2021 to approximately RMB14.2 million for FY2022 to approximately RMB16.6 million for FY2023, mainly due to increase in our number of staff. Our total staff costs decreased from approximately RMB8.2 million for 6M2023 to approximately RMB6.2 million for 6M2024, mainly to reduction of salary of our sales staff.

Platform management service fee

Platform management service fee represented our fee paid to a marketing company for managing our online sales platform at Douyin. Our platform management service fee amounted to nil, approximately RMB7.4 million, RMB13.4 million, RMB6.4 million and RMB2.7 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. The decrease for 6M2024 was mainly driven by the decrease in sales at Douyin.

Platform service fee

Platform service fee represented the fee charged by e-commerce companies in respect of our online sales platforms with them. Our platform service fee amounted to approximately RMB3.3 million, RMB3.0 million, RMB4.8 million, RMB3.0 million and RMB2.4 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively, which is generally in line with the growth in our sales through online shopping platforms.

Courier expenses

Our courier expenses amounted to approximately RMB4.4 million, RMB6.0 million, RMB8.3 million, RMB3.0 million and RMB3.5 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. During the Track Record Period, as a percentage, our courier expenses to our total revenue ranged between approximately 1.3% to 2.4%.

Depreciation of right-of-use assets

Our total depreciation of right-of-use assets amounted to approximately RMB2.1 million, RMB3.3 million, RMB3.5 million, RMB1.7 million and RMB1.6 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. The increase in FY2022 and FY2023 was mainly due to the additions of our right-of-use assets during the corresponding year.

Depreciation of property, plant and equipment

Our total depreciation of property, plant and equipment amounted to approximately RMB1.4 million, RMB1.5 million, RMB1.4 million, RMB0.8 million and RMB0.3 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively.

[REDACTED] expenses

[REDACTED] expenses mainly represented professional fees incurred in connection with the [REDACTED] which is non-recurring in nature. For FY2021, FY2022, FY2023, 6M2023 and 6M2024, our [REDACTED] expenses amounted to approximately RMB10.7 million, RMB6.0 million, RMB13.0 million, RMB5.8 million and RMB5.3 million respectively.

Income tax expenses

The following table sets forth the breakdown of our income tax expenses for the years/periods indicated:

	FY2021	**FY2022**	**FY2023**	**6M2023**	**6M2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax expense	34,293	32,050	28,951	8,561	5,745
Deferred tax expense/(income)	162	(21,159)	6,326	5,362	673
Total income tax expenses	34,455	10,891	35,277	13,923	6,418

Our income tax expenses comprised current tax expense and deferred tax expense/(income).

Our current tax expense was in respect of the PRC enterprise income tax ("**PRC EIT**"). During the Track Record Period, our subsidiaries in the PRC, namely, Gold Nemans, Aumay Dairy, Rujian International and Hontat Nutritional (collectively, the "**PRC Subsidiaries**") were subject to the PRC EIT at a statutory rate of 25%. We were not subject to Hong Kong profits tax as (i) the income generated by Numans HK, being our subsidiary in Hong Kong, was claimed as offshore; and (ii) our Group had no assessable profit in Hong Kong during the Track Record Period.

Included in our current tax expense was the PRC EIT recognised by the PRC Subsidiaries of approximately RMB69,000, RMB253,000, RMB275,000, RMB196,000 and RMB139,000 for FY2021, FY2022 and FY2023, 6M2023 and 6M2024, respectively, in respect of the service fee income (the "**Service Fee**") received by the PRC Subsidiaries from Numans Sales, being our subsidiary incorporated in the Republic of Seychelles, for sales support and administrative services as Numans Sales did not have office and employees during the Track Record Period. As advised by the Tax Adviser, the Service Fee complied with the arm's length principle. For details, please refer to the paragraph headed "Business — Transfer pricing arrangement between Numans Sales and our PRC subsidiaries" in this document.

Deferred tax expense represented the movement of opening balance and closing balance of our deferred tax assets for the respective years. Our deferred tax assets increased significantly from approximately RMB2.0 million as at 31 December 2021 to approximately RMB23.2 million as at 31 December 2022. Of the deferred tax assets amounting to approximately RMB23.2 million as at 31 December 2022, approximately RMB15.4 million was recognised in respect of the incidental losses on assets arising from the sales of milk powder products. For details of the incidental losses on assets arising from the sales of milk powder products, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Other losses, net — Losses relating to milk powder products" in this section. As a result of the significant increase of our deferred tax assets, we had our deferred tax expense of approximately RMB0.2 million for FY2021 overturned to deferred tax income of approximately RMB21.2 million for FY2022.

Our effective tax rate, which was calculated by dividing our total income tax expenses by our profit before tax, was approximately 22.4%, 11.1%, 18.1%, 15.3% and 12.4% for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. The significant decrease in effective tax rate from approximately 22.4% for FY2021 to approximately 11.1% for FY2022 was mainly driven by the deferred tax income primarily related to the incidental losses on assets arising from sales of milk powder products of approximately RMB21.2 million for FY2022 as disclosed above.

The relatively lower effective tax rates for FY2022, FY2023 and 6M2023 were mainly driven by the increase in proportion of profits contributed by Numans Sales (being our Seychelles subsidiary responsible for purchase and sales for our Group's cross-border e-commerce model) mainly driven by the increase in revenue from sales of U.S. DHA Products and thus the decrease in proportion of profits subject to the PRC EIT. As advised by the Tax Adviser, the practical risk of Numans Sales being subject to PRC EIT is remote. The relatively lower effective tax rate for 6M2024 was mainly due to the proportion of profits contributed by Numans Sales increased and deferred tax impact on reversal of provision for milk powder products.

Tax review findings

We engaged Forvis Mazars Tax Services Limited (formerly known as Mazars Tax Services Limited) (the "**Tax Reviewer**") to conduct a tax review covering (1) PRC tax compliance of the PRC subsidiaries; and (2) withholding tax exposure in the PRC in respect of Numans HK, being our Hong Kong subsidiary during the Track Record Period.

(i) Misstatement in revenue reported in the PRC tax returns by Gold Nemans and Hontat Nutritional due to timing difference

In respect of Gold Nemans and Hontat Nutritional, the Tax Reviewer noted that there are timing difference in revenue recognition between the PRC EIT law and regulations and the accounting practice of Gold Nemans and Hontat Nutritional in respect of revenue generated through online sales platforms.

For revenue generated through online sales platform, it has been the accounting practice of Gold Nemans and Hontat Nutritional to recognise the sales amount as revenue after we received the confirmation notices from the online sales platforms and invoices were issued which were usually one to two months after the goods were shipped from their warehouses to the customers' designated location, in which such treatment conformed with the PRC generally accepted accounting principles in the view of the local PRC auditor, and the amount so recognised were reported in the PRC EIT returns. However, according to HKFRS 15, sales of products should be recognised at a point in time at which the customer obtains the control of the promised asset (i.e. the performance obligation has been fulfilled), which generally coincides with the time when the goods are delivered to customers and the title is passed.

As advised by the Tax Reviewer, pursuant to Circular 875 (i.e. Guoshuihan (2008) No. 875 — Notice on Certain Issues Concerning Revenue Recognition for Enterprise Income Tax Purposes (國税函[2008]875號 — 關於確認企業所得税收入若干問題的通知) issued by State Taxation Administration ("**STA**") of the PRC, revenue from sale of goods shall be recognised when all the following criteria are satisfied:

- the sales contract has been signed and the company has transferred to the buyer the significant risks and rewards of ownership of goods;
- the company 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; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

As such, from the EIT perspective, Gold Nemans and Hontat Nutritional should recognise the sale of goods as revenue and the related cost of goods sold when the products were delivered to customers and reported it in the EIT return in the respective periods. As the annual and quarterly EIT returns of Gold Nemans and Hontat Nutritional, which reported the revenue of both companies, were prepared based on their audited financial statements/management accounts, (1) the revenue reported by Gold Nemans in its PRC tax returns was understated for FY2022 and 6M2024, and was overstated for FY2021 and FY2023; and (2) the revenue reported by Hontat Nutritional in its PRC tax returns was overstated for FY2022 and was understated for FY2021, FY2023 and 6M2024.

As advised by the Tax Reviewer, the above misstatements in reported revenue were of timing difference in nature. The Tax Reviewer is of the view that, in practice, the likelihood of the PRC tax authorities imposing a penalty/surcharge on Gold Nemans and Hontat Nutritional is remote.

(ii) Overstatement/understatement of EIT liabilities of the PRC Subsidiaries

In respect of the EIT liabilities of the PRC Subsidiaries, the Tax Reviewer estimated that:

1. Gold Nemans had understatement of EIT liability of approximately RMB151,000 for FY2023;

2. Hontat Nutritional had understatement of EIT liability of approximately RMB19,000 for FY2022;

3. Rujian International had understatements of EIT liability of approximately RMB213,000 and RMB11,000 for FY2021 and FY2022, respectively, and had overstatements of EIT liability of approximately RMB3,000 and RMB15,000 for FY2023 and 6M2024, respectively; and

4. Aumay Dairy had understatement of EIT liability of approximately RMB19,000 for FY2022, and had overstatements of EIT liability of approximately RMB7,000, RMB116,000 and RMB11,000 for FY2021, FY2023 and 6M2024, respectively.

As confirmed with the Reporting Accountants, the above misstatements in EIT liabilities were individually and in aggregate immaterial to our consolidated financial statements for the Track Record Period as set out in the Accountants' Report.

(iii) Withholding tax exposure of Numans HK in the PRC

Numans HK received (a) royalty paid by Gold Nemans and Rujian International during FY2021 (the "**Royalty Income**") relating to the use of trademarks in the PRC. According to the Tax Reviewer, when a PRC company (e.g. Gold Nemans and Rujian International) remits royalty to an overseas company (e.g. Numans HK), the PRC company would be the withholding agent and required to withhold EIT, Value-Added Tax ("**VAT**") and local surtaxes and pay the taxes to the PRC tax authority for the overseas company.

As advised by the Tax Reviewer, (1) the Royalty Income from Rujian International has been duly and properly reported and settled with the PRC tax authority; and (2) in respect of the Royalty Income from Gold Nemans, Gold Nemans did not gross up the royalty payment for calculation of withholding tax for the calculation of EIT, VAT and local surtaxes. The Tax Reviewer estimated that the additional withholding tax liabilities of Numans HK was approximately RMB60,000 for FY2021. As confirmed by the Reporting Accountants, the above additional withholding tax liabilities have been provided in our consolidated financial statements in relevant periods under the Track Record Period as set out in the Accountants' Report. The Tax Reviewer has reviewed the withholding tax returns and tax payment certificates and is satisfied that the respective PRC Subsidiaries have paid the relevant EIT and VAT on behalf of Numans HK.

The Tax Reviewer further estimated that the potential penalty and late payment surcharge was approximately RMB90,000 for FY2021. The Tax Reviewer considered, in practice, the risk of imposing the potential penalty is remote. If Gold Nemans reports the grossed-up amount of royalty to the tax authority in-charge, the tax authority may impose the late payment surcharge on Gold Nemans. As confirmed with the Reporting Accountants, the above potential penalty and late payment surcharge were immaterial to our consolidated financial statements in the relevant period under the Track Record Period as set out in the Accountants' Report.

As advised by the Tax Reviewer, the Royalty Income of Numans HK, as offshore income, was not subject to Hong Kong profits tax as the trademarks were originally designed and developed outside Hong Kong and Numans HK licensed the trademarks to the relevant PRC Subsidiaries for use outside Hong Kong. Based on its review of the correspondence between Numans HK and the Inland Revenue Department (the "**IRD**") and the confirmation with the IRD, the Tax Reviewer was of the view that the IRD has agreed with the offshore claim by Numans HK for the Royalty Income and that Numans HK complies with all applicable laws and regulations relating to Hong Kong profits tax during the Track Record Period.

Profit for the year

As a result of the foregoing, for FY2021, FY2022, FY2023, 6M2023 and 6M2024, we recorded a net profit of approximately RMB119.7 million, RMB87.5 million, RMB159.3 million, RMB77.3 million and RMB45.3 million, respectively, and our net profit margin was approximately 35.5%, 23.8% and 37.4%, 40.2% and 31.0%, respectively.

REVIEW OF RESULTS OF OPERATIONS

FY2021 compared with FY2022

Revenue

Our revenue increased by approximately RMB29.7 million or 8.8% from approximately RMB337.6 million for FY2021 to approximately RMB367.3 million for FY2022. Such increase was mainly driven by the increase in revenue from sale of algal oil DHA products. For detailed analysis, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Revenue" in this section.

Cost of sales

Our cost of sales increased by approximately RMB3.1 million or 3.4% from approximately RMB91.0 million for FY2021 to approximately RMB94.1 million for FY2022. Such increase was mainly driven by the increase in revenue and was attributable to the increase in cost for selling algal oil DHA products.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB26.6 million or 10.8% from approximately RMB246.6 million for FY2021 to approximately RMB273.2 million for FY2022, mainly driven by the increase in our revenue.

Our gross profit margin remained relatively stable at approximately 73.0% and 74.4% for FY2021 and FY2022, respectively.

Other income

Our other income increased by approximately RMB3.3 million from approximately RMB8.5 million for FY2021 to approximately RMB11.8 million for FY2022. Such increase was mainly driven by (i) the increase in government grants of approximately RMB1.7 million from approximately RMB7.6 million for FY2021 to approximately RMB9.3 million for FY2022; and (ii) the recognition of compensation from litigation claims of approximately RMB1.3 million for FY2022.

Other losses, net

Our other losses, net, increased significantly by approximately RMB76.5 million from approximately RMB7.9 million for FY2021 to approximately RMB84.4 million for FY2022. Such significant increase was mainly attributable to the recognition of write-down of milk powder products, provision for inventories loss on milk powder products, provision for loss allowance on deposits paid to Ausnutria Group and provision for onerous contracts. For details, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Other losses, net" in this section.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB15.2 million or 23.8% from approximately RMB63.8 million for FY2021 to approximately RMB79.0 million for FY2022. Such increase was mainly attributable to the increase in promotion expenses and platform management service fee, partially offset by the decrease in compensation to regional distributors.

Administrative and other operating expenses

Our administrative and other operating expenses decreased by approximately RMB1.5 million or 8.2% from approximately RMB18.4 million for FY2021 to approximately RMB16.9 million for FY2022. Such decrease was mainly attributable to the decrease in legal and professional fees and stamp duties and additional taxes, partially offset by the increase in technical service fee.

[REDACTED] expenses

Our [REDACTED] expenses decreased by approximately RMB4.7 million from approximately RMB10.7 million for FY2021 to approximately RMB6.0 million for FY2022.

Income tax expenses

Our income tax expenses decreased significantly from approximately RMB34.5 million for FY2021 to approximately RMB10.9 million for FY2022. Such significant decrease was mainly driven by the impact of deferred tax income of approximately RMB21.2 million recognised for FY2022 as a result of the significant increase in our deferred tax assets from approximately RMB2.0 million as at 31 December 2021 to approximately RMB23.2 million as at 31 December 2022. The significant increase in our deferred tax assets during FY2022 was mainly attributable to the incidental losses on assets arising from the sales of milk powder products. Our effective tax rate decreased from approximately 22.4% for FY2021 to approximately 11.1% for FY2022. For details, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Income tax expenses" in this section.

Profit for the year

For the foregoing reasons, our profit for the year decreased from approximately RMB119.7 million for FY2021 to approximately RMB87.5 million for FY2022. Our net profit margin decreased from approximately 35.5% for FY2021 to approximately 23.8% for FY2022, mainly driven by the non-recurring incidental losses on assets arising from sales of milk powder products of approximately RMB81.5 million recognised during FY2022.

FY2022 compared with FY2023

Revenue

Our revenue increased significantly by approximately RMB59.2 million or 16.1% from approximately RMB367.3 million for FY2022 to approximately RMB426.5 million for FY2023. Such increase was mainly driven by the increase in revenue from sale of algal oil DHA products, partially offset by the decrease in revenue from the sale of milk powder products. For detailed analysis, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Revenue" in this section.

Cost of sales

Our cost of sales increased by approximately RMB11.6 million or 12.3% from approximately RMB94.1 million for FY2022 to approximately RMB105.7 million for FY2023. Such increase was mainly driven by the increase in revenue and was attributable to the increase in cost for selling algal oil DHA.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB47.7 million or 17.5% from approximately RMB273.2 million for FY2022 to approximately RMB320.9 million for FY2023, mainly driven by the increase in our revenue.

Our gross profit margin remained relatively stable at approximately 74.4% and 75.2% for FY2022 and FY2023, respectively.

Other income

Our other income increased by approximately RMB1.7 million from approximately RMB11.8 million for FY2022 to approximately RMB13.5 million for FY2023. Such increase was mainly driven by the increase in government grants of approximately RMB1.7 million from approximately RMB9.3 million for FY2022 to approximately RMB11.0 million for FY2023.

Other (losses)/gains, net

Our other losses, net, decreased significantly by approximately RMB84.8 million from approximately RMB84.4 million for FY2022 and overturned to other gains, net, of approximately RMB0.4 million for FY2023. Such overturn was mainly attributable to the non-recurring write-down of milk powder products, provision for inventories loss on milk powder products, provision for loss allowance on deposits paid to Ausnutria Group and provision for onerous contracts recognised for FY2022. For details, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Other losses, net" in this section.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB23.6 million or 29.9% from approximately RMB79.0 million for FY2022 to approximately RMB102.6 million for FY2023. Such increase was mainly attributable to the increase in platform management service fee, platform service fee and promotion expenses.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately RMB7.3 million from approximately RMB16.9 million for FY2022 to approximately RMB24.2 million for FY2023. Such increase was mainly attributable to the increase in staff costs, legal and professional fees and VAT arising from donation of milk powder products.

[REDACTED] expenses

Our [REDACTED] expenses increased from RMB6.0 million for FY2022 to approximately RMB13.0 million for FY2023.

Income tax expenses

Our income tax expenses increased significantly from approximately RMB10.9 million for FY2022 to approximately RMB35.3 million for FY2023. Such significant increase was mainly because we recognised a deferred tax income of approximately RMB21.2 million for FY2022 as disclosed above, whereas we recognised a deferred tax expense of approximately RMB6.3 million for FY2023. As a result, our effective tax rate increased from approximately 11.1% for FY2022 to approximately 18.1% for FY2023. For details, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Income tax expenses" in this section.

Profit for the year

For the foregoing reasons, our profit for the year increased significantly from approximately RMB87.5 million for FY2022 to approximately RMB159.3 million for FY2023. Our net profit margin increased significantly from approximately 23.8% for FY2022 to approximately 37.4% for FY2023, mainly driven by the non-recurring incidental losses on assets arising from the sales of milk powder products of approximately RMB81.5 million recognised during FY2022.

6M2023 compared with 6M2024

Revenue

Our revenue decreased by approximately RMB46.0 million or 23.9% from approximately RMB192.1 million for 6M2023 to approximately RMB146.1 million. Such decrease was mainly driven by the increase in revenue from sale of algal oil DHA products. For detailed analysis, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Revenue" in this section.

Cost of sales

Our cost of sales decreased by approximately RMB5.4 million or 11.6% from approximately RMB46.5 million for 6M2023 to approximately RMB41.1 million for 6M2024. Such decrease was mainly driven by the decrease in revenue and was attributable to the increase in cost for selling algal oil DHA products.

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB40.6 million or 27.9% from approximately RMB145.6 million for 6M2023 to approximately RMB105.0 million for 6M2024, mainly driven by the decrease in our revenue.

Our gross profit margin decreased from approximately 75.8% for 6M2023 to approximately 71.9% for 6M2024 mainly due to a lower selling price under economic downturn during 6M2024.

Other income

Our other income increased by approximately RMB2.4 million from approximately RMB10.4 million for 6M2023 to approximately RMB12.8 million for 6M2024. Such increase was mainly driven by the increase in government grants of approximately RMB1.5 million from approximately RMB9.3 million for 6M2023 to approximately RMB10.8 million for 6M2024.

Other (losses)/gains, net

Our other losses, net, decreased from approximately RMB2.0 million for 6M2023 to approximately RMB0.3 million for 6M2024, which was mainly driven by the decrease in provision for allowances of trade receivables.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB3.2 million or 7.1% from approximately RMB44.9 million for 6M2023 to approximately RMB48.1 million for 6M2024. Such increase was mainly attributable to the increase in promotion expenses, offset by the decrease in staff costs and platform management service fee.

Administrative and other operating expenses

Our administrative and other operating expenses remained stable at approximately RMB11.8 million and RMB12.1 million for 6M2023 and 6M2024, respectively.

[REDACTED] expenses

Our [REDACTED] expenses remained relatively stable at approximately RMB5.8 million and RMB5.3 million for 6M2023 and 6M2024, respectively.

Income tax expenses

Our income tax expenses decreased from approximately RMB13.9 million for 6M2023 to approximately RMB6.4 million for 6M2024. Such decrease was mainly due to the decrease in current tax expense as a result of decrease in profit before tax. Our effective tax rate decreased from approximately 15.3% for 6M2023 to approximately 12.4% for 6M2024.

Profit for the period

For the foregoing reasons, our profit for the period decreased from approximately RMB77.3 million for 6M2023 to approximately RMB45.3 million for 6M2024. Our net profit margin decreased from approximately 40.2% for 6M2023 to approximately 31.0% for 6M2024, mainly driven by the decrease in revenue.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our consolidated statements of financial positions as at the dates indicated, which are extracted from the Accountants' Report:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Intangible assets	—	4,100	4,100	4,100
Property, plant and equipment	5,853	5,406	4,201	4,961
Right-of-use assets	1,175	7,297	5,625	5,816
Deferred tax assets	2,017	23,176	16,850	16,177
	9,045	39,979	30,776	31,054
Current assets				
Inventories	24,469	69,364	62,298	63,023
Trade and other receivables	76,703	73,246	77,327	60,203
Contract assets	25,939	28,154	37,056	52,959
Cash and cash equivalents	152,656	192,838	262,560	295,607
	279,767	363,602	439,241	471,792
Current liabilities				
Trade and other payables	39,750	36,829	36,900	31,560
Lease liabilities	1,027	2,783	2,405	3,017
Provisions	—	17,952	—	—
Income tax payables	11,321	14,114	17,211	7,039
Dividends payables	33,990	80,000	—	—
	86,088	151,678	56,516	41,616
Net current assets	193,679	211,924	382,725	430,176
Total assets less current liabilities	202,724	251,903	413,501	461,230
Non-current liabilities				
Lease liabilities	200	4,663	3,425	3,024
Net assets	202,524	247,240	410,076	458,206
Capital and reserves				
Share capital	—*	—*	—*	—*
Reserves	202,524	247,240	410,076	458,206
Total equity	202,524	247,240	410,076	458,206

* Represent amount less than RMB1,000.

DESCRIPTION OF CERTAIN LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Intangible assets

Our intangible assets represented a patent in respect of our DHA algal oil linseed oil arachidonic acid softgel (one of our PRC DHA Products) acquired by our Group during FY2022. In February 2022, our Group entered into a contract (the "**Patent Contract**") with an independent third party to acquire the patent with a total consideration of RMB4.1 million. During FY2022, our Group paid 90% of the total consideration, and settled the remaining 10% of the total consideration in July 2023 when the legal title was officially transferred to our Group. The administrative process for registration of the legal title of the patent was in progress during the period from February 2022 to June 2023. According to the Patent Contract, upon payment of 90% of the total consideration, our Group has the exclusive right to use the patent and was promised that no other parties except our Group has such right to use. The patent has indefinite useful lives as it is transferrable and is able to be renewed with minimal cost. Our Group has carried out an impairment test, and our Directors are of the view that the patent was not impaired as its recoverable amounts exceeded its carrying amount as at the end of each reporting period.

Property, plant and equipment

Our property, plant and equipment mainly included buildings for our own use and motor vehicles. The following table sets forth the carrying amount of our property, plant and equipment as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	2,654	2,506	2,358	2,284
Leasehold improvements	61	—	—	—
Furniture, fixtures and office equipment	529	475	532	473
Motor vehicles	2,609	2,425	1,311	2,204
Total property, plant and equipment	**5,853**	**5,406**	**4,201**	**4,961**

The carrying amount of our property, plant and equipment decreased by approximately RMB0.5 million from approximately RMB5.9 million as at 31 December 2021 to approximately RMB5.4 million as at 31 December 2022. Such decrease was mainly driven by the depreciation of our motor vehicles, which was partially offset by additions of motor vehicles during FY2022.

The carrying amount of our property, plant and equipment decreased by approximately RMB1.2 million from approximately RMB5.4 million as at 31 December 2022 to approximately RMB4.2 million as at 31 December 2023. Such decrease was mainly driven by the depreciation of our motor vehicles during FY2023.

The carrying amount of our property, plant and equipment increased by approximately RMB0.8 million from approximately RMB4.2 million as at 31 December 2023 to approximately RMB5.0 million as at 30 June 2024. Such increase was mainly driven by the addition of our motor vehicles during 6M2024.

Right-of-use assets

Our right-of-use assets comprised our leased properties, which primarily included our offices and warehouses.

The carrying amount of our right-of-use assets increased by approximately RMB6.1 million from approximately RMB1.2 million as at 31 December 2021 to approximately RMB7.3 million as at 31 December 2022. Such increase was mainly driven by the renewal of three offices and additions of two warehouses during FY2022, which was partially offset by depreciation.

The carrying amount of our right-of-use assets decreased by approximately RMB1.7 million from approximately RMB7.3 million as at 31 December 2022 to approximately RMB5.6 million as at 31 December 2023. Such decrease was mainly driven by depreciation.

The carrying amount of our right-of-use assets remained relatively stable at approximately RMB5.6 million and RMB5.8 million as at 31 December 2023 and 30 June 2024, respectively.

Inventories

Our inventories primarily included finished goods and, to a limited extent, raw materials. Our finished goods mainly consisted of algal oil DHA products. As at 31 December 2022, 31 December 2023 and 30 June 2024, our inventories also included milk powder products.

The following table sets forth the breakdown of our inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	11,468	8,482	9,100	7,811
Finished goods	18,911	102,177	115,726	107,395
Total inventories (gross)	30,379	110,659	124,826	115,206
Less:				
Write-down of inventories (excluding milk powder products)	(5,910)	(2,909)	(3,689)	(389)
Write-down of milk powder products *(Note 1)*	—	(17,699)	(20,751)	(20,809)
Provision for inventories loss on inventories (excluding milk powder products)	—	—	(2,155)	—
Provision for inventories loss on milk powder products *(Note 1)*	—	(20,687)	(35,933)	(30,985)
Total inventories (net)	**24,469**	**69,364**	**62,298**	**63,023**
Raw materials	5,527	6,998	7,447	7,811
Finished goods:	18,942	62,366	54,851	55,212
— Algal oil DHA products	*12,352*	*49,821*	*40,837*	*42,932*
— Milk powder products	—	—	—	—
— Others	*6,590*	*12,545*	*14,014*	*12,280*
Total inventories (net)	**24,469**	**69,364**	**62,298**	**63,023**

Finished goods constituted a significant proportion of our inventories. In respect of finished goods in our inventories, algal oil DHA products (being the most significant contributor of our revenue during the Track Record Period) were the major component. Likewise, algal oil DHA products were the major component of our purchases.

In respect of (1) write-down of milk powder products; and (2) provision for inventories loss on milk powder products, they represented our loss on milk powder products in our inventories due to the incident relating to our sale of milk powder products. For details of the incident, please refer to paragraph headed "Principal components of the consolidated statements of profit or loss — Other (losses)/gains, net" in this section. For movement of the balances, please refer to Note 22 to the Accountants' Report. As at 31 December 2022, 31 December 2023 and 30 June 2024, the milk powder products in our inventories had been fully written off/provided for.

In respect of write-down of inventories (excluding milk powder products), we wrote down our inventories (excluding milk powder products) mainly due to expiry of shelf-life, obsolesce or scrapped packaging. During the Track Record Period, our written-down of inventories (excluding milk powder products) was immaterial to our net inventories balance.

In respect of provision for inventories loss on inventories (excluding milk powder products), generally we provide for inventories loss for inventories whose shelf-life is within six months. During the Track Record Period, provision for inventories loss on inventories (excluding milk powder products) was immaterial to our net inventories balance.

The following table sets forth an ageing analysis of our inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	17,422	58,188	38,811	25,921
3–6 months	4,441	6,291	4,404	23,774
6–12 months	1,126	2,835	13,341	3,179
Over 12 months	1,480	2,050	5,742	10,149
Total inventories (net)	**24,469**	**69,364**	**62,298**	**63,023**

In respect of our inventories balance aged over 12 months as at 30 June 2024 which amounted to approximately RMB10.1 million, the remaining shelf-life of those inventories is more than 6 months from expiry of shelf-life and thus they had not been written-off or provided for.

The following table sets forth our Inventory turnover days for the years/period indicated:

	FY2021	**FY2022**	**FY2023**	**6M2024**
Inventory turnover days *(Note)*	98.1 days	269.0 days	215.2 days	279.7 days

Note: Inventory turnover days equal inventories as at the year/period end divided by cost of sales for the year and multiplied by 365. Average inventories are calculated as inventories at the beginning of the year plus inventories at the end of the year, divided by two. For illustrative purpose, inventory turnover days for 6M2024 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2024.

During the second quarter of FY2022, there was a large-scale lockdown in Shanghai due to COVID-19 outbreak in which it was uncertain at the material time whether a further lockdown with similar scale would recur. To cater for the then uncertainty in terms of supply and timing of delivery of our purchases particularly for algal oil DHA products, we significantly increased our purchases of algal oil DHA products during FY2022, and our purchase volume well exceeded our sales volume for FY2022 in respect of algal oil DHA products. As a result, our net inventories increased significantly from approximately RMB24.5 million as at 31 December 2021 to approximately RMB69.4 million as at 31 December 2022.

During FY2023, we continued to utilise our surplus inventories, and at the same time, following the relaxation of the major epidemic measures in the PRC, we decreased our purchases. As a result, our net inventories decreased from approximately RMB69.4 million as at 31 December 2022 to approximately RMB62.3 million as at 31 December 2023.

Our net inventories remained relatively stable at approximately RMB62.3 million and RMB63.0 million as at 31 December 2023 and 30 June 2024, respectively.

Our inventory turnover days increased significantly from approximately 98.1 days for FY2021 to approximately 269.0 days for FY2022, which was mainly driven by the significant increase in our inventories balance as at 31 December 2022 as disclosed above. Our inventory turnover days decreased slightly from 269.0 days for FY2022 to approximately 215.2 days for FY2023, which was mainly driven by the decrease in our inventories balance as at 31 December 2023 as disclosed above.

Our annualised inventory turnover days increased to approximately 279.7 days (annualised) for 6M2024, which was mainly driven by the corresponding decrease in our cost of sales to the decrease in our revenue for 6M2024.

As at Latest Practicable Date, approximately RMB19.8 million or 31.3% of our inventories as at 30 June 2024 had been subsequently sold or utilised.

Trade and other receivables

The following table sets forth our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	35,982	42,367	32,508	34,190
Less: Loss allowances	(2,083)	(1,976)	(2,150)	(2,396)
	33,899	40,391	30,358	31,794
Other receivables:				
Deposits paid to suppliers	26,610	24,772	39,080	17,439
Deposits paid to Ausnutria Group	10,000	20,149	—	—
Marketing Incentives receivables	751	—	2,301	—
Prepaid promotion expenses	1,359	2,502	2,131	3,070
Other prepayments	2,564	2,449	824	2,276
VAT and other taxes recoverable	—	1,159	468	—
Other deposits and receivables	1,520	1,973	2,165	5,624
Gross other receivables	42,804	53,004	46,969	28,409
Less: Loss allowances	—	(20,149)	—	—
	42,804	32,855	46,969	28,409
Total trade and other receivables	**76,703**	**73,246**	**77,327**	**60,203**
Average trade receivables *(Note 1)*	31,647	37,145	35,375	31,076
Average trade receivables to total revenue *(Note 2)*	9.3%	10.1%	8.3%	10.6%

Notes:

1. Average trade receivables represents the average of trade receivables as at 31 December of the previous year and 31 December of the current year. For average trade receivables as at 30 June 2024, it represents the average of trade receivables as at 31 December 2023 and as at 30 June 2024.

2. Average trade receivables to total revenue represents the average of trade receivables divided by total revenue for the relevant year/period. For illustrative purpose, average trade receivables to total revenue for 6M2024 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2024.

Trade receivables

Our trade receivables primarily represented the receivables from our customers in respect of the sales of products.

Our trade receivables (net of loss allowances) increased from approximately RMB33.9 million as at 31 December 2021 to approximately RMB40.4 million as at 31 December 2022. Such increase was generally in line with our growth in revenue for the same years. Our trade receivables (net of loss allowances) decreased from approximately RMB40.4 million as at 31 December 2022 to approximately RMB30.4 million as at 31 December 2023, which was mainly because of prompt settlement by our major customers. Our trade receivables (net of loss allowances) remained stable at approximately RMB30.4 million and RMB31.8 million as at 31 December 2023 and 30 June 2024, respectively.

We generally grant a credit term of up to 90 days from the date of issuance of invoices to our customers.

The following table sets forth an ageing analysis of our trade receivables presented based on invoice date and net of loss allowance as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	28,629	36,930	24,744	24,263
31 to 60 days	3,790	1,157	3,738	1,698
61 to 90 days	45	394	41	1,070
Over 90 days	1,435	1,910	1,835	4,763
Total trade receivables (net)	**33,899**	**40,391**	**30,358**	**31,794**

The following table sets forth an ageing analysis of our trade receivables presented based on due date and net of loss allowance as at the dates indicated:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not yet due	28,609	36,582	24,772	24,835
Past due:				
Within 30 days	3,191	1,025	3,813	710
31 to 60 days	656	500	1,495	1,645
61 to 90 days	15	384	41	253
Over 90 days	1,428	1,900	237	4,351
	5,290	3,809	5,586	6,959
Total trade receivables (net)	**33,899**	**40,391**	**30,358**	**31,794**

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, our trade receivables were mainly contributed by our five largest customers for each year/period during the Track Record Period, and in particular Customer A and Customer B, for the corresponding years/period. Our loss allowances were in respect of trade receivables that were past due for over 90 days. During the Track Record Period, we did not encounter significant irrecoverability of our trade receivables.

The table below sets forth the average turnover days of our trade receivables for the years/period indicated:

	FY2021	FY2022	FY2023	6M2024
Average turnover days of trade receivables *(Note)*	34.0 days	36.9 days	30.2 days	38.8 days

Note: Average turnover days of trade receivables equal average trade receivables divided by revenue for the year and multiplied by 365. Average trade receivables are calculated as trade receivables at the beginning of the year plus trade receivables at the end of the year, divided by two. For illustrative purpose, average turnover days of trade receivables for 6M2024 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2024.

Our average turnover days of trade receivables remained relatively stable at approximately 34.0 days and 36.9 days for FY2021 and FY2022, respectively. Our average turnover days of trade receivables decreased from approximately 36.9 days for FY2022 to approximately 30.2 days for FY2023, which was mainly driven by the increase in our revenue for FY2023. For 6M2024, our annualised average turnover days of trade receivables was approximately 38.8 days. Considering that (i) we do not have a prolonged average turnover days of trade receivables; and (ii) our trade receivables, representing approximately 11.7%, 10.0%, 6.5% and

6.2% of our total assets as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively, were not a material component of our total assets, our Directors are the view that an increase in our trade receivables and average turnover days of trade receivables would not have a significant impact on our liquidity and cash flows.

As at the Latest Practicable Date, approximately RMB31.7 million or 99.8% of our trade receivables outstanding as at 30 June 2024 were subsequently settled by our customers.

Other receivables

Our gross other receivables increased from approximately RMB42.8 million as at 31 December 2021 to approximately RMB53.0 million as at 31 December 2022. Such increase was mainly driven by the increase in deposits paid to Ausnutria Group, partially offset by the decrease in deposit paid to suppliers.

As at 31 December 2022, we recognised loss allowances of approximately RMB20.1 million in respect of our deposits paid to Ausnutria Group. For details, please refer to paragraph headed "Principal components of the consolidated statements of profit or loss — Other losses, net" in this section.

Our gross other receivables decreased from approximately RMB53.0 million as at 31 December 2022 to approximately RMB47.0 million as at 31 December 2023. Such decrease was mainly driven by the decrease in deposits paid to Ausnutria Group, partially offset by the increase in deposits paid to suppliers.

Our gross other receivables decreased from approximately RMB47.0 million as at 31 December 2023 to approximately RMB28.4 million as at 30 June 2024. Such decrease was mainly driven by the decrease in deposits paid to suppliers.

Deposits paid to suppliers

Deposits paid to suppliers mainly represented our upfront payment paid to our suppliers, Shanghai Trilives and Confidence Group, for purchases. As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, our deposits paid to suppliers amounted to approximately RMB26.6 million, RMB24.8 million, RMB39.1 million and RMB17.4 million, respectively. The decrease in our deposits paid to suppliers as at 30 June 2024 was mainly because of a lower volume of purchase orders made as at the period end.

Deposits paid to Ausnutria Group

Deposits paid to Ausnutria Group of approximately RMB10.0 million and RMB20.1 million as at 31 December 2021 and 31 December 2022, respectively, represented our upfront payment paid to Ausnutria Group for purchases of milk powder products to fulfil a portion of our minimum purchase commitment. The entire balance has been fully impaired. For details, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Other losses, net — Losses relating to milk powder products" in this section.

Marketing Incentive receivables

Marketing Incentive receivables represented variable consideration receivables arising from volume-based penalty imposed on certain customers but have not been settled as at the end of the reporting period. Our Marketing Incentive receivables amounted to approximately RMB0.8 million, nil, RMB2.3 million and nil as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively.

Prepaid promotion expenses

Prepaid promotion expenses represented our prepayments for promoting our brands and products through online shopping platforms, maternity and child websites, celebrities and bloggers, participating in exhibitions and conferences, and sponsoring academic conferences and seminars targeting our consumers. Our prepaid promotion expenses amounted to approximately RMB1.4 million, RMB2.5 million, RMB2.1 million and RMB3.1 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively.

Contract assets

Contract assets represented unbilled revenue for which our Group had right to receive consideration for goods sold but not yet billed because the rights are conditional upon the satisfaction by the customers. The contract assets were transferred to trade receivables when the rights become unconditional, which is typically at the time when the amount of consideration was eventually confirmed between our Group and our customers subsequent to the delivery of goods to our customers. The following table sets forth the movement of our contract assets as at the dates indicated:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/ period	4,240	25,939	28,154	37,056
Unbilled revenue recognised during the year/period	25,939	28,154	37,056	52,959
Transfer to trade receivables	(4,240)	(25,939)	(28,154)	(37,056)
At end of the year/period	25,939	28,154	37,056	52,959

Trade and other payables

The following table sets forth the breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	843	—	—
Other payables:				
Contract liabilities — refundable receipts in advance	645	221	308	212
Marketing Incentive payables	12,253	6,947	5,603	10,680
Salary payables	2,990	2,836	2,585	1,519
Deposits received from distributors	1,611	1,611	1,591	1,431
Due to distributors	15,847	11,871	6,636	5,006
Other accruals and other payables	3,476	6,303	10,260	4,054
VAT and other taxes payables	2,928	6,197	9,917	8,658
	39,750	35,986	36,900	31,560
Total trade and other payables	**39,750**	**36,829**	**36,900**	**31,560**

Our trade and other payables decreased from approximately RMB39.8 million as at 31 December 2021 to approximately RMB36.8 million as at 31 December 2022. Such decrease was mainly driven by the decrease in Marketing Incentive payables and due to distributors.

Our trade and other payables remained stable at approximately RMB36.8 million and RMB36.9 million as at 31 December 2022 and 31 December 2023, respectively.

Our trade and other payables decreased from approximately RMB36.9 million as at 31 December 2023 to approximately RMB31.6 million as at 30 June 2024. Such decrease was mainly driven by the decrease in other accruals and other payables, offset by the increase in Market Incentive payables.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material defaults in payment of trade and non-trade payables.

Trade payables

Our trade payables amounted to nil, approximately RMB0.8 million, nil and nil as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively.

The table below sets forth the average turnover days of our trade payables for the years indicated:

	FY2021	FY2022	FY2023	6M2024
Average turnover days of trade payables *(Note)*	0.1 day	1.6 days	1.5 days	nil

Note: Average turnover days of trade payables equal average trade payables divided by cost of sales for the year and multiplied by 365. Average trade payables are calculated as trade payables at the beginning of the year plus trade payables at the end of the year, divided by two. For illustrative purpose, average turnover days of trade payables for 6M2024 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2024.

Other payables

Marketing Incentive payables

Marketing Incentives payables represented variable consideration payables arising from different kinds of marketing incentive arrangements with our customers. Our Marketing Incentives payables amounted to approximately RMB12.3 million, RMB6.9 million, RMB5.6 million and RMB10.7 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively.

Salary payables

Our salary payables remained relatively stable at approximately RMB3.0 million, RMB2.8 million and RMB2.6 million as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively. Our decrease in salary payables decreased to approximately RMB1.5 million as at 30 June 2024, which was in line with the decrease in our staff cost.

Deposits received from distributors

Deposits received from distributors represented security deposits placed by our distributors for obtaining rights for selling our Group's nutritional products in the designated distribution regions. Our deposits received from distributors remained relatively stable at approximately RMB1.6 million, RMB1.6 million, RMB1.6 million and RMB1.4 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024 respectively.

Due to distributors

Amounts due to distributors mainly represented (i) receipts on behalf of our distributors for the goods sold by them to their customers through our online shopping platform; and (ii) payables arising from our sales of products in the regions with our designated distributors among which our Group agreed to pay and the distributors agreed to be compensated in an agreeable amount. Our amounts due to distributors amounted to approximately RMB15.8 million, RMB11.9 million, RMB6.6 million and RMB5.0 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively.

Other accruals and other payables

Other accruals and other payables mainly represented accrued promotion expenses, platform service fee and [REDACTED] expenses. The increase in our other accruals and other payables from approximately RMB3.5 million as at 31 December 2021 to approximately RMB6.3 million as at 31 December 2022 was mainly driven by the increase in accrued promotion expenses and [REDACTED] expenses. The sharp increase in our other accruals and other payables from approximately RMB6.3 million as at 31 December 2022 to approximately RMB10.3 million as at 31 December 2023 was mainly driven by the increase in payable for [REDACTED] expenses. The sharp decrease in our other accruals and other payables from approximately RMB10.3 million as at 31 December 2023 to approximately RMB4.1 million as at 30 June 2024 was mainly driven by the decrease in payable for [REDACTED] expenses.

VAT and other taxes payables

VAT and other taxes payable mainly represented the unpaid VAT as at the end of each reporting period. The increase in our VAT and other taxes payables from approximately RMB2.9 million as at 31 December 2021 to approximately RMB6.2 million as at 31 December 2022 was mainly driven by our sales towards the end of FY2022. Our VAT and other taxes payable remained relatively stable at approximately RMB9.9 million and RMB8.7 million as at 31 December 2023 and 30 June 2024, respectively.

Provisions

This represents the provision for onerous contract in respect of the unavoidable costs which were non-cancellable for which we had the obligation to settle under the agreements we entered into with Ausnutria Group regarding milk powder products. For details, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Other (losses)/gains, net — Losses relating to milk powder products" in this section. As at 31 December 2022, our provision balance of approximately RMB18.0 million included (i) the amount to be paid for the milk powder products of approximately RMB13.0 million; and (ii) the potential compensation to Ausnutria Group amounting to approximately RMB5.0 million in respect of cost incurred by Ausnutria Group for acquiring raw materials for scheduled product of milk powder products. During FY2023, we transferred approximately RMB13.0 million to provision on inventories loss on milk powder products and reversal of input VAT. For detailed movement, please refer to Note 22 to the Accountants' Report.

We de-recognised our provision for onerous contact, which amounted to approximately RMB5.0 million as at 31 December 2023, following our entering into of the termination agreement with Ausnutria Group in October 2023.

Income tax payables

The following table sets forth the movement of income tax payables:

	As at/for the year ended 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Income tax payables at beginning of the year/period	26,725	11,321	14,114	17,211
Income tax expenses — current	34,293	32,050	28,951	5,745
Income tax paid	(49,697)	(29,257)	(25,854)	(15,917)
Income tax payables at end of the year/period	11,321	14,114	17,211	7,039

Dividends payables

The following table sets forth the movement of dividends payables:

	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends payable at beginning of the year/period	—	33,990	80,000	—
Dividends declared	61,000	51,000	—	—
Less:				
Dividends paid	(27,010)	(4,990)	(80,000)	—
Dividends payable at end of the year/period	33,990	80,000	—	—

NET CURRENT ASSETS

The table below sets forth the breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 July
	2021	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Current assets					
Inventories	24,469	69,364	62,298	63,023	63,386
Trade and other receivables	76,703	73,246	77,327	60,203	76,221
Contract assets	25,939	28,154	37,056	52,959	35,800
Cash and cash equivalents	152,656	192,838	262,560	295,607	306,636
Total current assets	279,767	363,602	439,241	471,792	482,043
Current liabilities					
Trade and other payables	39,750	36,829	36,900	31,560	36,107
Lease liabilities	1,027	2,783	2,405	3,017	2,947
Provisions	—	17,952	—	—	—
Income tax payables	11,321	14,114	17,211	7,039	3,933
Dividends payables	33,990	80,000	—	—	—
Total current liabilities	86,088	151,678	56,516	41,616	42,987
Net current assets	**193,679**	**211,924**	**382,725**	**430,176**	**439,056**

Our net current assets increased over the Track Record Period, which was mainly contributed by our net cash generated from operating activities and the increase in our working capital, and partially offset by our provisions and dividends payables.

Our net current assets increased from approximately RMB193.7 million as at 31 December 2021 to approximately RMB211.9 million as at 31 December 2022. Our current assets increased significantly from approximately RMB279.8 million as at 31 December 2021 to approximately RMB363.6 million as at 31 December 2022, while our current liabilities also increased significantly from approximately RMB86.1 million as at 31 December 2021 to approximately RMB151.7 million as at 31 December 2022. The significant increase in our current assets during FY2022 was mainly attributable to (i) increase in our cash and cash equivalents mainly generated from our operating activities; and (ii) increase in our inventories, mainly because we increased our purchases during FY2022 due to the large-scale lockdown in Shanghai in 2022 to cater for the then uncertainty in terms of supply and timing of delivery for our purchases. The significant increase in our current liabilities during FY2022 was mainly attributable to increase in provisions and dividends payables.

Our net current assets further increased from approximately RMB211.9 million as at 31 December 2022 to approximately RMB382.7 million as at 31 December 2023. The increase in our net current assets was mainly driven by (i) the significant increase in our current assets from approximately RMB363.6 million as at 31 December 2022 to approximately RMB439.2 million as at 31 December 2023; and (ii) the significant decrease in our current liabilities from approximately RMB151.7 million as at 31 December 2022 to approximately RMB56.5 million as at 31 December 2023. The increase in our current assets during FY2023 was mainly attributable to the increase in our cash and cash equivalents mainly generated from our operating activities. The decrease in our current liabilities during FY2023 was mainly attributable to the decrease in our provisions and dividends payables.

Our net current assets further increased from approximately RMB382.7 million as at 31 December 2023 to approximately RMB430.2 million as at 30 June 2024. Such increase in our net current assets was mainly driven by (i) the increase in our current assets from approximately RMB439.2 million as at 31 December 2023 to approximately RMB471.8 million as at 30 June 2024; and (ii) the decrease in our current liabilities from approximately RMB56.5 million as at 31 December 2023 to approximately RMB41.6 million as at 30 June 2024. The increase in our current assets during 6M2024 was mainly attributable to the increase in our cash and cash equivalents mainly generated from our operating activities. The decrease in our current liabilities was mainly attributable to the decrease in our income tax payables mainly due to our income tax paid during 6M2024.

LIQUIDITY AND CAPITAL RESOURCES

We historically funded our liquidity and capital requirements primarily through internally generated funds from our operating activities. As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, we had cash and cash equivalents of approximately RMB152.7 million, RMB192.8 million, RMB262.6 million and RMB295.6 million, respectively.

We require cash primarily for our operation, general working capital needs and operating lease commitments for lease of our offices and warehouses. Going forward, we expect to fund our working capital requirements with a combination of various sources, including but not limited to cash generated from our operations, the [REDACTED] from the [REDACTED], bank balances, cash and other possible equity and debt financing as and when appropriate.

Cash flows of our Group

Our primary uses of cash are for the payment of direct costs of our business activities, various operating expenses and capital expenditure, and have been funded through cash generated from our operations. Upon completion of the [REDACTED], we expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from [REDACTED] of the [REDACTED] for implementing our future plans as detailed under the section headed "Future Plans and Use of [REDACTED]" in this document, and when necessary, bank and other borrowings.

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

	FY2021	**FY2022**	**FY2023**	**6M2023**	**6M2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating cash flows before movements in working capital	165,509	186,927	200,567	98,504	53,429
Movements in working capital	(21,818)	(113,361)	(24,145)	(14,728)	(5,319)
Cash generated from operations	143,691	73,566	176,422	83,776	48,110
Income tax paid	(49,697)	(29,257)	(25,854)	(14,279)	(15,917)
Net cash generated from operating activities	93,994	44,309	150,568	69,497	32,193
Net cash (used in)/generated from investing activities	(519)	(4,139)	1,572	659	459
Net cash used in financing activities	(29,306)	(8,555)	(83,786)	(1,869)	(1,758)
Net increase in cash and cash equivalents	64,169	31,615	68,354	68,287	30,894
Cash and cash equivalents at beginning of the year/period	92,757	152,656	192,838	192,838	262,560
Currency translation differences	(4,270)	8,567	1,368	1,913	2,153
Cash and cash equivalents at end of the year/period	152,656	192,838	262,560	263,038	295,607

We recorded net cash generated from operating activities and net cash used in financing activities for all years/periods presented. For investing activities, we record net cash inflow for FY2023 and net cash outflow for FY2021 and FY2022.

Our cash and cash equivalents amounted to approximately RMB152.7 million, RMB192.8 million, RMB262.6 million and RMB295.6 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively. Our increase in cash and cash equivalents during the Track Record Period was mainly attributable to net cash generated from operating activities.

Net cash generated from operating activities

For 6M2024, we had net cash generated from operating activities of approximately RMB32.2 million, primarily reflecting: (i) profit before tax of approximately RMB51.7 million; (ii) positive adjustments before movement in working capital of approximately RMB1.7 million which primarily reflected depreciation of approximately RMB2.0 million; partially offset by (iii) an increase in contract assets of approximately RMB15.9 million; and (iv) income tax paid of approximately RMB15.9 million.

For FY2023, we had net cash generated from operating activities of approximately RMB150.6 million, primarily reflecting: (i) profit before tax of approximately RMB194.6 million; and (ii) positive adjustments before movement in working capital of approximately RMB5.9 million which primarily reflected (a) depreciation of approximately RMB4.9 million; and (b) write-down of non-milk powder products of approximately RMB3.7 million; partially offset by (c) reversal of onerous contracts of approximately RMB5.0 million; and the above impact was partially offset by (iii) an increase in inventory of approximately RMB27.7 million; and (iv) income tax paid of approximately RMB25.9 million.

For FY2022, we had net cash generated from operating activities of approximately RMB44.3 million, primarily reflecting: (i) profit before tax of approximately RMB98.4 million; and (ii) positive adjustments before movement in working capital of approximately RMB88.5 million which primarily reflected (a) write-down of milk powder products of approximately RMB17.7 million; (b) provision for inventories loss on milk powder products of approximately RMB20.7 million; (c) provision for loss allowance on deposits paid to Ausnutria Group of approximately RMB20.1 million; and (d) provision for onerous contracts of approximately RMB18.0 million; partially offset by (iii) an increase in inventories of approximately RMB86.2 million; and (iv) income tax paid of approximately RMB29.3 million.

For FY2021, we had net cash generated from operating activities of approximately RMB94.0 million, primarily reflecting: (i) profit before tax of approximately RMB154.1 million; and (ii) positive adjustments before movement in working capital of approximately RMB11.4 million which primarily reflected write-down of non-milk powder products inventories of approximately RMB5.9 million, partially offset by (iii) an increase in trade and other receivables of approximately RMB21.0 million; (iv) an increase in contract assets of approximately RMB21.7 million; and (v) income tax paid of approximately RMB49.7 million.

Net cash (used in)/generated from investing activities

For 6M2024, we had net cash generated from investing activities of approximately RMB0.5 million, which was mainly contributed by interest received of approximately RMB1.6 million, offset by the payment for purchase of property, plant and equipment of approximately RMB1.1 million.

For FY2023, we had net cash generated from investing activities of approximately RMB1.6 million, which was mainly contributed by interest received of approximately RMB2.2 million.

For FY2022, we had net cash used in investing activities of approximately RMB4.1 million, which was mainly contributed by payment for purchase of intangible assets of approximately RMB3.7 million.

For FY2021, we had net cash used in investing activities of approximately RMB0.5 million, which was mainly contributed by payment for purchase of property, plant and equipment of approximately RMB1.0 million, partially offset by interest received of approximately RMB0.5 million.

Net cash used in financing activities

For 6M2024, we had net cash used in financing activities of approximately RMB1.8 million, which was mainly contributed by the repayment of lease liabilities of approximately RMB1.6 million.

For FY2023, we had net cash used in financing activities of approximately RMB83.8 million, which was mainly contributed by dividends paid of approximately RMB80.0 million and repayment of lease liabilities of approximately RMB3.5 million.

For FY2022, we had net cash used in financing activities of approximately RMB8.6 million, which was mainly contributed by dividends paid of approximately RMB5.0 million and repayment of lease liabilities of approximately RMB3.2 million.

For FY2021, we had net cash used in financing activities of approximately RMB29.3 million, which was mainly contributed by dividends paid of approximately RMB27.0 million and repayment of lease liabilities of approximately RMB2.2 million.

Working capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our existing cash and cash equivalents and other internal resources, and the estimated [REDACTED] from the [REDACTED], the working capital available to our Group is sufficient for our present requirements and for at least the next 12 months commencing from the date of this document.

As of the Latest Practicable Date, our Directors are not aware of any other factors that would have a material impact on our liquidity.

Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of [REDACTED]" in this document.

INDEBTEDNESS

During the Track Record Period and at the close of business on 31 July 2024, being the latest practicable date on which such information was available to us, our Group did not have any indebtedness except for those disclosed below.

During the Track Record Period and up to the Latest Practicable Date, apart from intra-group liabilities and those disclosed below, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities. Our Group had no banking facilities and no unutilised banking facilities as at 30 June 2024.

The table below sets forth the indebtedness of our Group as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 July
	2021	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Non-current liability					
Lease liabilities	200	4,663	3,425	3,024	2,828
Current liability					
Lease liabilities	1,027	2,783	2,405	3,017	2,947
Total lease liabilities	1,227	7,446	5,830	6,041	5,775

The following table sets forth our lease liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 July
	2021	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Minimum lease payment due:					
— within one year	1,071	3,065	2,618	3,214	3,134
— More than 1 year but within 2 years	203	1,658	1,788	2,100	2,021
— More than 2 years but within 5 years	—	3,354	1,806	1,032	903
	1,274	8,077	6,212	6,346	6,058
Less: future finance charges	(47)	(631)	(382)	(305)	(283)
Total lease liabilities	1,227	7,446	5,830	6,041	5,775

Our Group leased properties for our offices and warehouses, and the lease liabilities were measured at the present value of the remaining lease payments. Our lease liabilities amounted to approximately RMB1.2 million, RMB7.4 million, RMB5.8 million and RMB6.0 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively.

CAPITAL EXPENDITURES

Our capital expenditures primarily related to additions to property, plant and equipment. Our capital expenditures amounted to approximately RMB1.0 million, RMB1.2 million, RMB0.2 million and RMB1.1 million for FY2021, FY2022, FY2023 and 6M2024, respectively.

Our current plan with respect to future capital expenditures is subject to changes based on the evolution of our business plan, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures.

CONTINGENT LIABILITIES

Our Directors confirm that, as at the Latest Practicable date, we did not have any material contingent liabilities or guarantees.

Save as disclosed above, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, other than normal trade bills, or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, foreign exchange liabilities or other material contingent liabilities as at 30 June 2024.

RELATED PARTY TRANSACTIONS

During the Track Record Period, other than compensation of key management personnel of our Group, our major related party transactions can be classified into the following categories: (i) provision of consultancy services; and (ii) purchase of promotional materials.

For FY2022, we incurred approximately RMB0.5 million for purchasing promotional materials from a related supplier.

For details of the related party transactions, please refer to Note 26 to the Accountants' Report. Our Directors are of the view that our related party transactions were under normal commercial terms that are fair and reasonable and in the best interest of our Group.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance-sheet commitments or arrangements.

FINANCIAL RISK MANAGEMENT

Our Group is exposed to foreign currency risk, credit risk and liquidity risk. Please refer to Note 28 to the Accountants' Report for details of our financial risk management.

SELECTED FINANCIAL RATIOS

	As at/For the years ended 31 December			As at/For the six months ended
	2021	2022	2023	30 June 2024
Gross profit margin[(1)]	73.0%	74.4%	75.2%	71.9%
Net profit margin[(2)]	35.4%	23.8%	37.4%	31.0%
Return on equity[(3)]	59.1%	35.4%	38.9%	19.8%
Return on total assets[(4)]	41.4%	21.7%	33.9%	18.0%
Current ratio[(5)]	3.3	2.4	7.8	11.3
Quick ratio[(6)]	3.0	1.9	6.7	9.8
Gearing ratio[(7)]	0.6%	3.0%	1.4%	1.3%
Interest coverage[(8)]	1,318.3 times	263.4 times	587.2 times	360.0 times

Notes:

1. Gross profit margin represents gross profit for the years divided by total revenue for the respective years/period.

2. Net profit margin represents profit for the years divided by total revenue for the respective years/period.

3. Return on equity represents profit for the years divided by total equity as at the end of the respective years/period. For illustrative purpose, return on equity for 6M2024 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2024.

4. Return on assets represents profit for the years divided by total assets as at the end of the respective years/period. For illustrative purpose, return on total assets for 6M2024 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2024.

5. Current ratio represents total current assets divided by total current liabilities as at the end of the respective years/period.

6. Quick ratio represents total current assets less inventories divided by total current liabilities as at the end of the respective years/period.

7. Gearing ratio represents total lease liabilities divided by total equity as at the end of the respective years/period.

8. Interest coverage ratio represents profit before interest and tax divided by interests on lease liabilities for the relevant years/period.

Gross profit margin

Our gross profit margin was approximately 73.0%, 74.4%, 75.2% and 71.9% for FY2021, FY2022, FY2023 and 6M2024, respectively. For analysis of our gross profit margin, please refer to the paragraph headed "Principal components of the consolidated statement of profit or loss — Gross profit and gross profit margin" in this section.

Net profit margin

Our net profit margin was approximately 35.4%, 23.8%, 37.4% and 31.0% for FY2021, FY2022, FY2023 and 6M2024, respectively. Please refer to the paragraph headed "Review of results of operations" in this section.

Return on equity

Our return on equity decreased from approximately 59.1% for FY2021 to approximately 35.4% for FY2022, which was mainly driven by the decrease in our profit for the year for FY2022. Our return on equity increased to approximately 38.9% for FY2023, which was mainly driven by the increase in our net profit for the year.

For illustrative purpose, return on equity for 6M2024 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2024.

Return on total assets

Our return on total assets decreased from approximately 41.4% for FY2021 to approximately 21.7% for FY2022, which was mainly driven by the decrease in our profit for the year for FY2022. Our return on total assets increased to approximately 33.9% for FY2023, which was mainly driven by the increase in our net profit for the year.

For illustrative purpose, return on total assets for 6M2024 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2024.

Current ratio

Our current ratio was approximately 3.3, 2.4, 7.8 and 11.3 as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively. For analysis of our net current assets, please refer to the paragraph headed "Net current assets" in this section.

Quick ratio

Our quick ratio was approximately 3.0, 1.9, 6.7 and 9.8 as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively. The decrease in our quick ratio from approximately 3.0 as at 31 December 2021 to approximately 1.9 as at 31 December 2022 was mainly driven by the increase in our inventories as at 31 December 2022, which was due to the increase in our purchases as a result of the large-scale lockdown in Shanghai during FY2022.

Gearing ratio

Our gearing ratio was approximately 0.6%, 3.0%, 1.4% and 1.3% as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively. During the Track Record Period, we did not have significant interest-bearing debts and thus our gearing ratio was minimal.

Interest coverage

Our interest coverage was approximately 1,318.3 times, 263.4 times, 587.2 times and 360.0 times for FY2021, FY2022, FY2023 and 6M2024, respectively. During the Track Record Period, we did not have significant interest-bearing debts and thus our interest coverage was high.

DIVIDENDS

As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account of factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

For FY2021 and FY2022, we declared dividends of approximately RMB61.0 million and RMB51.0 million, respectively, all of which had been settled as at the Latest Practicable Date. Currently, we do not have a formal dividend policy or a pre-determined dividend distribution ratio.

[REDACTED] EXPENSES

The total amount of [REDACTED] expenses in connection with the [REDACTED], including [REDACTED], is estimated to be approximately RMB[REDACTED] (equivalent to approximately HK$[REDACTED]) (based on an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range), representing approximately [REDACTED]% of our estimated gross [REDACTED] from the [REDACTED] (based on an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range, and assuming the [REDACTED] is not exercised). The [REDACTED] expenses of: (i) approximately RMB[REDACTED] (equivalent to approximately HK$[REDACTED]) is directly attributable to the issue of the [REDACTED] and is to be accounted for as a deduction from equity in accordance with the relevant financial reporting standard; and (ii) approximately RMB[REDACTED] (equivalent to approximately HK$[REDACTED]) has been or is to be charged to the consolidated statements of profit or loss, of which (a) approximately RMB14.4 million has been charged in profit or loss prior to the Track Record Period; (b) approximately RMB10.7 million, RMB6.0 million, RMB13.0 million and RMB5.3 million have been charged in profit or loss for FY2021, FY2022, FY2023 and 6M2024, respectively; and (c) approximately RMB[REDACTED] is expected to be charged prior to or upon [REDACTED]. Expenses in relation to the [REDACTED] are non-recurring in nature.

DISTRIBUTABLE RESERVES

As at 30 June 2024, our Company did not have distributable reserves.

FINANCIAL INFORMATION

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to Appendix II to this document for the unaudited [REDACTED] adjusted consolidated net tangible assets.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT

Throughout the Track Record Period, our revenue generated from our online sales channel increased both in terms of amount and proportion to our total revenue. Our Directors believe that online sales is a cost-effective and efficient sales channel that enables our products to reach and build up a large customer base. Leveraging on the extensive coverage and convenience of the internet and the evolving means of online sales channels in the PRC, our Group gradually tapped into selling and distributing our nutritional products to private domain distributors.

Our Directors confirm that, save for the expenses in connection with the [REDACTED], up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 30 June 2024, and there had been no events since 30 June 2024 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

Please refer to the paragraph headed "Business — Our business strategies" in this document for a detailed description of our strategies and future plans.

REASONS FOR [REDACTED]

Our Company is seeking the [REDACTED] in order to (i) further expand our business; (ii) enhance our brand awareness, our profile and our market presence; (iii) gain access to capital market; (iv) diversify shareholder base and have more liquidity in [REDACTED] of Shares; (v) increase the confidence of our customers and suppliers in our internal control and operating systems; and (vi) attract and retain talents.

As stated in our business strategies, we aim to increase our marketing efforts through different marketing means to enhance public awareness of our brands and extend our sales network to Hong Kong. The [REDACTED] from the [REDACTED] will strengthen our capital base and provide funding for achieving our business strategies and carrying out our future plans as set out in the paragraph headed "Business — Our business strategies" in this document.

Leveraging on our brand and our success of our algal oil DHA products, our Directors believe that the [REDACTED] would allow us to further strengthen our market position by expediting the implementation of our future plans and strategies, strengthening our financial position and corporate profile, and enabling us to better tackle future challenges. Our Directors believe that the [REDACTED] could bring necessary funding from the equity capital market to our Group to support and fuel our long-term business strategies and business expansion:

1. **Capture market opportunities to expand our business:** With the growing interest in health and wellness and the increasing awareness of the benefits of maternal and children nutritional products, we believe that the maternal and children nutritional product market in the PRC in general will continue to grow. According to Frost & Sullivan, it is forecast that the retail sales value of maternal and children nutritional product market in the PRC will grow from approximately RMB101.7 billion in 2023 to approximately RMB142.1 billion in 2028, representing a CAGR of approximately 6.9%.

2. **Enhance our brand awareness, our profile and our market presence:** As all our products are consumer products, we would need to devote marketing efforts to enhance the public awareness of our products and brands so as to facilitate our products to reach the consumers. We consider that the [REDACTED] will effectively raise the awareness among the general public of our brands and our products. In addition, we believe that the brand recognition of our products and our practice of consistently sourcing key ingredients and components overseas would enable us to distinguish our products from our competitors and maintain our competitive advantage to capitalise on the growing opportunities offered in the market. We will continue our effective marketing efforts, which will in turn support our expansion of product sales and distribution network.

We plan to use a portion of the [REDACTED] from the [REDACTED] to increase our marketing efforts through different marketing means to enhance the public awareness of our brands. As a proprietary brand owner in the algal oil DHA segment in the PRC market according to Frost & Sullivan, our Directors also believe that, through online and physical means, we shall deepen our interactions with health professionals, industry players and end customers to promote the popularity and benefits of nutritional products, which could in turn enhance our brand image and product sales.

Further, our Directors believe that a [REDACTED] status in Hong Kong as well as presence of our sales network in Hong Kong can elevate our corporate image and status and strengthen confidence from our customers, consumers, regional distributors and suppliers, which in turn provides a level playing field when we explore new business opportunities with them. This can fuel our business growth in a much faster pace and improve our market competitiveness.

3. **Gain access to capital market:** Our Directors believe that the [REDACTED] is strategically critical to our long-term growth as it will provide us with additional sources to raise capital for expansion and other development needs. Following the [REDACTED], we will have access to the capital markets, providing us additional sources for future fundraising through the issuance of equity and debt securities for further business expansion.

4. **Diversify shareholder base and have more liquidity in [REDACTED] of Shares:** Our Directors believe that the [REDACTED] will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the [REDACTED]. Hence, our Directors consider that the [REDACTED] will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the [REDACTED] of our Shares.

5. **Increase the confidence of our customers and suppliers in our Group:** A [REDACTED] company is generally subject to more stringent compliance requirements as compared to a private company. After the [REDACTED], generally we will increase the transparency in our operations and financial reporting. As such, our Directors consider that a public [REDACTED] status will increase our customers' and suppliers' confidence in our internal control and operation systems, which may further enhance our business relationship with them.

6. **Attract and retain talents:** Our Directors believe that human resources are valuable assets for the long-term growth of our business and consider that experienced and talented personnel may be more willing to work at [REDACTED] companies. We believe that a [REDACTED] status would help attract more experienced staff and talented people to join our management team in the future, as well as retain our existing staff. Our Directors are of the view that a [REDACTED] status will also improve our existing staff's work morale, thereby improving the quality of our products which is beneficial to our long-term development.

FUTURE PLANS AND USE OF [REDACTED]

USE OF [REDACTED]

We estimate that the [REDACTED] from the [REDACTED] (after deducting [REDACTED] fees and related [REDACTED] expenses payable by us in connection with the [REDACTED], assuming that the [REDACTED] is not exercised and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative range of the [REDACTED]) will be approximately HK$[REDACTED]. We intend to apply the [REDACTED] as follows:

(i) approximately [REDACTED]% or HK$[REDACTED] of the [REDACTED] from the [REDACTED] will be used to increase our marketing efforts through different marketing means to enhance the public awareness of our brands, of which:

  (a) approximately [REDACTED]% or HK$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for online marketing, brand and products promotion on social media platforms;

  (b) approximately [REDACTED]% or HK$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for purchasing brand marketing and promotional products of e-commerce companies for promotion of our brands and our products on online shopping platforms; and

  (c) approximately [REDACTED]% or HK$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for participating in conferences and major trade fairs and industry events.

(ii) approximately [REDACTED]% or HK$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for promoting our products in Hong Kong and expansion of our sales network to Hong Kong; of which:

  (a) approximately [REDACTED]% or HK$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for setting up a retail store in a shopping mall in Central, Hong Kong;

  (b) approximately [REDACTED]% or HK$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for engaging an independent marketing agent based in Hong Kong to launch a series of promotional activities for our products in Hong Kong, including but not limited to physical promotional activities in Hong Kong, sponsorship, promotional activities on digital platforms that are popular in Hong Kong and among Chinese citizens that usually reside in Hong Kong and distributing our products to major healthcare products shops, department stores and promoters in Hong Kong; and

  (c) approximately [REDACTED]% or HK$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for setting up an office and warehouse in Hong Kong.

The following table sets out a summary of our implementation plan:

	From [REDACTED] to 30 June 2024 *HK$'million*	From 1 July 2024 to 31 December 2024 *HK$'million*	From 1 January 2025 to 30 June 2025 *HK$'million*	From 1 July 2025 to 31 December 2025 *HK$'million*	Total *HK$'million*
Online marketing, brand and products on social medial platforms	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Purchase of brand marketing and promotional products of e-commerce companies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Participating in conferences and major trade fairs and industry events	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Setting up a retail store in Hong Kong	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Engaging an independent marketing agent	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Setting up an office and warehouse in Hong Kong	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

BASIS AND ASSUMPTIONS

The implementation plan set out by our Directors is based on the following assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material changes in the funding requirement for each of our Group's future plans described in this document from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no changes in the effectiveness of the licences, permits and qualifications obtained by our Group, where applicable;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in this document.

FUTURE PLANS AND USE OF [REDACTED]

There can be no assurance that the [REDACTED] from the [REDACTED] will be sufficient for fully implementing our business expansion plans. In the event the [REDACTED] from the [REDACTED] are not sufficient for fully implementing our business expansion plans or that the [REDACTED] becomes unsuccessful such that the [REDACTED] from the [REDACTED] becomes unavailable to us, we may adjust the timing and scale of our business expansion plans and/or seek alternative form of financing.

If the final [REDACTED] (assuming that the [REDACTED] is not exercised) is set at (i) the lowest (HK$[REDACTED]); or (ii) the highest (HK$[REDACTED]) of the indicative range of the [REDACTED], the [REDACTED] available to us are estimated to be approximately (i) HK$[REDACTED]; or (ii) HK$[REDACTED], respectively. In such event, the [REDACTED] will decrease or increase by approximately HK$[REDACTED] or HK$[REDACTED], respectively, and are intended to be applied in the same proportion as disclosed above.

If the [REDACTED] is exercised in full, the estimated [REDACTED] from the [REDACTED] will be approximately HK$[REDACTED], HK$[REDACTED] or HK$[REDACTED] respectively (assuming the [REDACTED] is set at HK$[REDACTED], HK$[REDACTED] or HK$[REDACTED], being the lowest, the mid-point and the highest of the indicative range of the [REDACTED] respectively). We intend to apply the additional [REDACTED] from the [REDACTED] in the proportions exceeding those as disclosed above.

To the extent that the [REDACTED] from the [REDACTED] are not immediately applied to the purposes as disclosed above and to the extent permitted by the applicable laws and regulations, we will deposit the [REDACTED] into short-term interest-bearing deposits with licensed commercial banks in Hong Kong and/or other authorised financial institutions (as defined under the SFO).

We will issue an announcement in the event that there is any material change in the use of [REDACTED] of the [REDACTED] as described above.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report, received from the Company's independent reporting accountants, Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited), Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF NUMANS HEALTH FOOD HOLDINGS COMPANY LIMITED

The Directors
Numans Health Food Holdings Company Limited
Caitong International Capital Co., Limited

Introduction

We report on the historical financial information of Numans Health Food Holdings Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-67, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company at 31 December 2021, 2022 and 2023 and 30 June 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2021 and 2022 and 2023 and the six months ended 30 June 2024 (the "**Relevant Periods**") and a summary of material accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-67 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the "**Document**") in connection with the [REDACTED] of shares of the Company (the "**[REDACTED]**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *"Accountants' Reports on Historical Financial Information in Investment Circulars"* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company at 31 December 2021, 2022 and 2023 and 30 June 2024, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2023 and other explanatory information (together the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying

analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared by subsidiaries of the Group in respect of the Relevant Periods.

Preparation or audit of financial statements

At the date of this report, no statutory audited financial statements have been prepared for the Company since its date of incorporation.

Note 1 to the Historical Financial Information contains information about whether the financial statements of the subsidiaries of the Group for the Relevant Periods have been audited and, if applicable, the name of the auditors.

Forvis Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were prepared by the directors of the Company in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited), *Certified Public Accountants, Hong Kong*, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	5	337,608	367,297	426,545	192,076	146,086
Cost of sales		(91,010)	(94,107)	(105,678)	(46,522)	(41,123)
Gross profit		246,598	273,190	320,867	145,554	104,963
Other income	6(a)	8,505	11,793	13,474	10,375	12,755
Other (losses) gains, net	6(b)	(7,906)	(84,369)	390	(2,042)	(344)
Selling and distribution expenses		(63,808)	(79,002)	(102,578)	(44,852)	(48,083)
Administrative and other operating expenses		(18,425)	(16,873)	(24,249)	(11,836)	(12,131)
Interests on lease liabilities		(117)	(375)	(332)	(176)	(144)
[REDACTED] expenses		(10,722)	(5,951)	(12,951)	(5,842)	(5,317)
Profit before tax	7	154,125	98,413	194,621	91,181	51,699
Income tax expenses	10	(34,455)	(10,891)	(35,277)	(13,923)	(6,418)
Profit for the year/period		119,670	87,522	159,344	77,258	45,281
Other comprehensive (loss) income						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on consolidation		(3,540)	8,194	3,492	5,742	2,849
Total comprehensive income for the year/period		116,130	95,716	162,836	83,000	48,130

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 June
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Intangible assets	13	—	4,100	4,100	4,100
Property, plant and equipment	14	5,853	5,406	4,201	4,961
Right-of-use assets	15	1,175	7,297	5,625	5,816
Deferred tax assets	23	2,017	23,176	16,850	16,177
		9,045	39,979	30,776	31,054
Current assets					
Inventories	16	24,469	69,364	62,298	63,023
Trade and other receivables	17	76,703	73,246	77,327	60,203
Contract assets	18	25,939	28,154	37,056	52,959
Cash and cash equivalents	19	152,656	192,838	262,560	295,607
		279,767	363,602	439,241	471,792
Current liabilities					
Trade and other payables	20	39,750	36,829	36,900	31,560
Lease liabilities	21	1,027	2,783	2,405	3,017
Provisions	22	—	17,952	—	—
Income tax payables		11,321	14,114	17,211	7,039
Dividends payables		33,990	80,000	—	—
		86,088	151,678	56,516	41,616
Net current assets		193,679	211,924	382,725	430,176
Total assets less current liabilities		202,724	251,903	413,501	461,230
Non-current liabilities					
Lease liabilities	21	200	4,663	3,425	3,024
NET ASSETS		202,524	247,240	410,076	458,206
Capital and reserves					
Share capital	24(a)	—*	—*	—*	—*
Reserves	25	202,524	247,240	410,076	458,206
TOTAL EQUITY		202,524	247,240	410,076	458,206

* Represent amount less than RMB1,000.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At 31 December			At 30 June
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset					
Investment in a subsidiary	24(b)	67	67	67	67
Current assets					
Prepayments		—	392	86	907
Amount due from a subsidiary	24(c)	30,000	85,000	10,000	—
Cash and cash equivalents		5,224	2,923	4,450	6,815
		35,224	88,315	14,536	7,722
Current liabilities					
Accruals		—	309	3,302	707
Amount due to a subsidiary	24(c)	285	7,287	9,816	9,816
Dividends payables		33,990	80,000	—	—
		34,275	87,596	13,118	10,523
Net current assets (liabilities)		949	719	1,418	(2,801)
NET ASSETS (LIABILITIES)		1,016	786	1,485	(2,734)
Capital and reserves					
Share capital	24(a)	—*	—*	—*	—*
Reserves	24(d)	1,016	786	1,485	(2,734)
TOTAL EQUITY (DEFICIT)		1,016	786	1,485	(2,734)

* Represent amount less than RMB1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Reserves				
	Share capital *RMB'000 (Note 24(a))*	**Capital reserve** *RMB'000 (Note 25(a))*	**Translation reserve** *RMB'000 (Note 25(b))*	**Statutory reserve** *RMB'000 (Note 25(c))*	**Accumulated profits** *RMB'000*	**Total** *RMB'000*
At 1 January 2021	—*	67	(763)	7,463	140,627	147,394
Profit for the year	—	—	—	—	119,670	119,670
Other comprehensive (loss) income						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on consolidation	—	—	(3,540)	—	—	(3,540)
Total comprehensive (loss) income for the year	—	—	(3,540)	—	119,670	116,130
Transactions with owners						
Contributions and distributions						
Dividends *(Note 12)*	—	—	—	—	(61,000)	(61,000)
Appropriation to statutory reserve	—	—	—	2,391	(2,391)	—
Total transactions with owners	—	—	—	2,391	(63,391)	(61,000)
At 31 December 2021	—*	67	(4,303)	9,854	196,906	202,524

	Reserves					
	Share capital *RMB'000 (Note 24(a))*	**Capital reserve** *RMB'000 (Note 25(a))*	**Translation reserve** *RMB'000 (Note 25(b))*	**Statutory reserve** *RMB'000 (Note 25(c))*	**Accumulated profits** *RMB'000*	**Total** *RMB'000*
At 1 January 2022	—*	67	(4,303)	9,854	196,906	202,524
Profit for the year	—	—	—	—	87,522	87,522
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on consolidation	—	—	8,194	—	—	8,194
Total comprehensive income for the year	—	—	8,194	—	87,522	95,716
Transactions with owners						
Contributions and distributions						
Dividends *(Note 12)*	—	—	—	—	(51,000)	(51,000)
Total transactions with owners	—	—	—	—	(51,000)	(51,000)
At 31 December 2022	—*	67	3,891	9,854	233,428	247,240

* Represent amount less than RMB1,000.

	Reserves					
	Share capital *RMB'000 (Note 24(a))*	**Capital reserve** *RMB'000 (Note 25(a))*	**Translation reserve** *RMB'000 (Note 25(b))*	**Statutory reserve** *RMB'000 (Note 25(c))*	**Accumulated profits** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	—*	67	3,891	9,854	233,428	247,240
Profit for the year	—	—	—	—	159,344	159,344
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on consolidation	—	—	3,492	—	—	3,492
Total comprehensive income for the year	—	—	3,492	—	159,344	162,836
At 31 December 2023	—*	67	7,383	9,854	392,772	410,076
At 1 January 2023	—*	67	3,891	9,854	233,428	247,240
Profit for the period (unaudited)	—	—	—	—	77,258	77,258
Other comprehensive income (unaudited)						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on consolidation	—	—	5,742	—	—	5,742
Total comprehensive income for the period (unaudited)	—	—	5,742	—	77,258	83,000
At 30 June 2023 (unaudited)	—*	67	9,633	9,854	310,686	330,240
At 1 January 2024	—*	67	7,383	9,854	392,772	410,076
Profit for the period	—	—	—	—	45,281	45,281
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on consolidation	—	—	2,849	—	—	2,849
Total comprehensive income for the period	—	—	2,849	—	45,281	48,130
At 30 June 2024	—*	67	10,232	9,854	438,053	458,206

* Represent amount less than RMB1,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	154,125	98,413	194,621	91,181	51,699
Adjustments for:					
Depreciation of property, plant and equipment and right-of-use assets	3,571	4,811	4,904	2,532	1,969
Interests on lease liabilities	117	375	332	176	144
Gain on lease termination	(5)	—	—	—	—
Interest income	(477)	(718)	(2,187)	(852)	(1,554)
Loss on disposal of property, plant and equipment, net	—	90	16	7	—
Write-down of inventories, excluding milk powder products	5,910	2,909	3,689	388	389
Write-down of milk powder products	—	17,699	—	—	—
Provision of inventories, excluding milk powder products	—	—	2,155	—	—
Provision for (Reversal of) inventories loss on milk powder products	—	20,687	(415)	—	(142)
Changes in input valued-added taxes ("**VAT**") arising from reversal of (provision for) inventories loss on milk powder products	—	4,990	(53)	—	(18)
Provision for loss allowance on deposits paid to the Ausnutria Group *(as defined in Note 22)*	—	20,149	—	—	—
Provision for (Reversal of) onerous contracts	—	17,952	(5,000)	—	—
Provision for (Reversal of) loss allowances on trade receivables, net	1,538	(61)	174	1,214	246
Write-down of other receivables	—	4	207	29	—
Exchange differences	730	(373)	2,124	3,829	696
Operating cash inflows before changes in working capital	165,509	186,927	200,567	98,504	53,429
Changes in working capital:					
Inventories	9,493	(86,190)	(27,656)	(21,050)	(972)
Trade and other receivables	(21,005)	(16,635)	15,687	25,986	16,878
Contract assets	(21,699)	(2,215)	(8,902)	(24,458)	(15,903)
Trade and other payables	11,393	(8,321)	(3,274)	4,794	(5,322)
Cash generated from operations	143,691	73,566	176,422	83,776	48,110
Income tax paid	(49,697)	(29,257)	(25,854)	(14,279)	(15,917)
Net cash from operating activities	93,994	44,309	150,568	69,497	32,193

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
INVESTING ACTIVITIES					
Interest received	477	718	2,187	852	1,554
Payment for purchase of property, plant and equipment	(996)	(1,196)	(205)	(193)	(1,095)
Payment for purchase of intangible assets	—	(3,690)	(410)	—	—
Proceeds from disposal of property, plant and equipment	—	29	—	—	—
Net cash (used in) from investing activities	(519)	(4,139)	1,572	659	459
FINANCING ACTIVITIES					
Repayment of lease liabilities	(2,179)	(3,190)	(3,454)	(1,693)	(1,614)
Interests on lease liabilities	(117)	(375)	(332)	(176)	(144)
Dividends paid	(27,010)	(4,990)	(80,000)	—	—
Net cash used in financing activities	(29,306)	(8,555)	(83,786)	(1,869)	(1,758)
Net increase in cash and cash equivalents	64,169	31,615	68,354	68,287	30,894
Cash and cash equivalents at the beginning of the reporting period	92,757	152,656	192,838	192,838	262,560
Effect of exchange rate changes, net	(4,270)	8,567	1,368	1,913	2,153
Cash and cash equivalents at the end of the reporting period, represented by cash on hand, at banks and assets with similar nature as cash	152,656	192,838	262,560	263,038	295,607

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 January 2019. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is situated at 2408, World-wide House, 19 Des Voeux Road Central, Central, Hong Kong and the Group's headquarter is situated at Building 8 Lane 706, Wuxing Road, Pudong New Area, Shanghai, the People's Republic of China (the "**PRC**").

The principal activity of the Company is investment holding and the subsidiaries of the Company (the Company and its subsidiaries are collectively referred to as the "**Group**") are principally engaged in sales, including marketing, selling and distributing, of nutritional products.

At the date of this report, the immediate and ultimate holding company of the Company is Far-East Fortune Management (China) Co., Ltd. ("**Far-East Fortune**"), which is incorporated in the British Virgin Islands (the "**BVI**"). In the opinion of the directors of the Company, the ultimate controlling party is Mr. Wang Ping (the "**Ultimate Controlling Party**").

Pursuant to a group reorganisation (the "**Reorganisation**"), which was completed on 28 March 2019, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" of the Document issued in connection with the [REDACTED] on the Main Board of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

At the date of this report, the particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct or indirect interests, are as follows:

Name of subsidiary	Place of incorporation	Date of incorporation	Registered/ Issued capital	Attributable equity interests held by the Company	Principal activities
Directly held					
瀚達管理顧問(中國)有限公司 Hontat Management Consulting (China) Ltd. ("**Hontat Management**") *(Note i)*	The BVI	18 August 2009	United States Dollars ("**US$**") 10,100	100%	Investment holding
Indirectly held					
紐曼思控股有限公司 Numans Holdings Limited ("**Numans HK**")	Hong Kong	6 June 2006	Hong Kong Dollars ("**HK$**") 200	100%	Investment holding and holding intellectual properties
Numans (Global) Sales Limited ("**Numans Sales**") *(Note i)*	Republic of Seychelles	16 January 2014	US$50	100%	Sales of nutritional products
上海乳健國際貿易有限公司 Shanghai Rujian International Trading Co., Ltd. ("**Rujian International**") *(Note iii)*	The PRC	12 November 2002	RMB1,000,000	100%	Import of raw materials
金紐曼思(上海)食品有限公司 Gold Nemans (Shanghai) Foods Co., Limited ("**Gold Nemans**") *(Note iii)*	The PRC	20 December 2010	HK$5,000,000	100%	Sales of nutritional products

Name of subsidiary	Place of incorporation	Date of incorporation	Registered/ Issued capital	Attributable equity interests held by the Company	Principal activities
Indirectly held					
瀚達(上海)營養食品有限公司 Hontat (Shanghai) Nutritional Food Co., Ltd. ("**Hontat Nutritional**") *(Note iii)*	The PRC	6 April 2011	HK$5,000,000	100%	Sales of nutritional products
上海澳美澳乳業有限公司 Shanghai Aumay Dairy Company Limited ("**Aumay Dairy**") *(Notes ii & iii)*	The PRC	9 November 2017	RMB10,000,000	100%	Sales of nutritional products

Set forth below is the information of the financial statements, as prepared in accordance with respective local financial reporting standards, of the Company's subsidiaries that have been audited and fall into the Relevant Periods.

Subsidiary	Financial period	Auditors
Numans HK	Years ended 31 December 2021, 2022 and 2023	Forvis Mazars CPA Limited, *Certified Public Accountants, Hong Kong (Note iv)*
Rujian International	Year ended 31 December 2021	上海瑞通會計師事務所 (Shanghai Ruitong Certified Public Accountants) *(Note iii)*
	Years ended 31 December 2022 and 2023	中審眾環會計師事務所(特殊普通合伙)上海自貿區分所 (Zhong Shen Zhong Huan Certified Public Accountants LLP Shanghai Free Trade Zone Branch) *(Note iii)*
Gold Nemans	Year ended 31 December 2021	上海瑞通會計師事務所 (Shanghai Ruitong Certified Public Accountants) *(Note iii)*
	Years ended 31 December 2022 and 2023	中審眾環會計師事務所(特殊普通合伙)上海自貿區分所 (Zhong Shen Zhong Huan Certified Public Accountants LLP Shanghai Free Trade Zone Branch) *(Note iii)*

Subsidiary	Financial period	Auditors
Hontat Nutritional	Year ended 31 December 2021	上海瑞通會計師事務所 (Shanghai Ruitong Certified Public Accountants) *(Note iii)*
	Years ended 31 December 2022 and 2023	中審眾環會計師事務所(特殊普通合伙)上海自貿區分所 (Zhong Shen Zhong Huan Certified Public Accountants LLP Shanghai Free Trade Zone Branch) *(Note iii)*
Aumay Dairy	Years ended 31 December 2022 and 2023	中審眾環會計師事務所(特殊普通合伙)上海自貿區分所 (Zhong Shen Zhong Huan Certified Public Accountants LLP Shanghai Free Trade Zone Branch) *(Note iii)*

Notes:

(i) No statutory audited financial statements have been prepared by Hontat Management and Numans Sales for the period from its date of incorporation to the date of this report as they are not required to issue audited financial statements under relevant statutory requirements at their respective places of incorporation.

(ii) No statutory audited financial statements have been prepared for Aumay Dairy for the year ended 31 December 2021 as it is not a mandatory requirement for issuance of audited financial statements under the relevant statutory requirement at its place of incorporation.

(iii) The English names of the above companies/auditors are stated by the directors of the Company at their best effort to translate the Chinese names as these names have not been registered officially in English.

(iv) Forvis Mazars CPA Limited was formerly known as Mazars CPA Limited.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" of the Document, the Company became the holding company of the entities now comprising the Group on 28 March 2019. The entities now comprising the Group were under the common control of the Ultimate Controlling Party before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

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 the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Ultimate Controlling Party, where this is a shorter period. The consolidated statements of financial position of the Group at 31 December 2021, 2022 and 2023 and 30 June 2024 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Ultimate Controlling Party's perspective. No adjustments are made to reflect fair values, or to recognise any new assets or liabilities as a result of the Reorganisation.

Statement of compliance

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA. The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued a number of new/revised HKFRSs during the Relevant Periods. For the purpose of the preparation of the Historical Financial Information, the Group has consistently adopted all those new/revised HKFRSs that are relevant to its operations and are effective throughout the Relevant Periods. The adoption of those new/revised HKFRSs does not have any significant impact on the Historical Financial Information.

A summary of material accounting policies adopted by the Group in preparing the Historical Financial Information is set out in Note 3.

3. MATERIAL ACCOUNTING POLICIES

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

Basis of consolidation

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Changes in ownership interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statements of financial position, investment in a subsidiary is stated at cost less impairment loss (if any). The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The result of the subsidiary is accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20 years
Leasehold improvements	1 year to 3 years
Furniture, fixtures and office equipment	3 years to 5 years
Motor vehicles	4 years to 10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets with indefinite useful lives are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at the end of each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from being indefinite to finite is accounted for on a prospective basis.

Impairment assessments for intangible assets are set out in the accounting policy "Impairment of other assets" below.

Patent

The initial cost of acquiring a patent is capitalised. Patent with indefinite useful lives are carried at cost less accumulated impairment losses.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Financial assets (except for trade and other receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade and other receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("**FVOCI**"); (iii) equity investment measured at FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first interim reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, contract assets and cash and cash equivalents.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables and dividends payables. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information;

(ii) nature of financial instruments;

(iii) nature of collateral (if any);

(iv) nature, size and industry of debtors;

(v) geographical location of debtors; and

(vi) external credit risk ratings (if available).

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset meets any of the following criteria:

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group's cash and cash equivalents are determined to have low credit risk.

Simplified approach of ECL

For trade receivables and contract assets without significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The expected loss rate used is calculated for each categorised customers' portfolio based on actual credit loss experience over the past years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of trade receivables and contract assets.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice, if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the consolidated statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand, at banks and assets with similar nature as cash, which are not restricted as to use.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is sales of nutritional products.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from sales of nutritional products is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customers of the Group.

The Group has applied the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(i) Marketing incentives

The Group's marketing incentives include penalty imposed on and incentives offered to its selected customers. Included in the Group's marketing incentives, there are gross profit margin guarantees, trade discounts, volume-based rebates and penalty, and/or other price incentives (together, the "**Marketing Incentives**"). The Group estimates the Marketing Incentives using the expected-value method and assesses whether the estimated variable consideration is constrained with reference to the customers' historical records on volume-based rebates and penalty, other marketing incentives entitlement and accumulated purchases to date. Any significant estimation variances will be analysed and taken into consideration in the current estimation and assessment. Typically, the estimated consideration is not constrained.

(ii) Refund liabilities

The Group grants customers with the right to return the products. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group recognises a right to returned goods asset and a corresponding adjustment to cost of sales in respect of the right to recover the product when customers exercise their right of return. With reference to its historical experience and its expectation of future returns as adjusted for current relevant information, the Group estimates the number of returns using the expected-value method and assesses whether the estimated variable consideration is constrained. Any significant estimation variances will be analysed and taken into consideration in the current estimation and assessment. Typically, the estimated consideration is not constrained.

During the Relevant Periods, there are no significant product return from customers which is subject to refund liabilities.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for specified goods or services to be provided by the other party.

The Group is acting as a principal as the Group controls the nutritional products before the goods are transferred to its customers and its performance obligation is to transfer those goods to its customers.

Revenue from other sources

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the business of sales of nutritional products, the right to an amount of consideration becomes unconditional only when the consideration is billed subsequent to customers' acceptance on promised goods and the amount of consideration are confirmed between the Group and its customers. During the Relevant Periods, contract assets are recognised in regard to the unbilled revenue.

Contract liabilities in relation to the refundable receipts in advance are reported under "Other Payables".

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company and majority of its subsidiaries have RMB as their functional currency. The Historical Financial Information is presented in RMB and rounded to the nearest thousands unless otherwise indicated, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all of the group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and
- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that the Group's intangible assets, property, plant and equipment, right-of-use assets and the Company's investment in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or the cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

Provision

Provision is recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the period in which the expenditures are incurred. Provision is reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Present obligations arising under onerous contracts are recognised and measured as a provision. Onerous contracts are considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The Group recognises any impairment loss that has occurred on assets used in fulfilling the contract before a separate provision for onerous contracts are established.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate stand-alone price of the non-lease components.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option (if any) — in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leased properties	2 to 5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;

(b) the Group determines the lease term of the modified contract;

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group has applied the practical expedient provided in Amendments to HKFRS 16: *COVID-19-Related Rent Concessions beyond 30 June 2021* and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying HKFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising from an investment in a subsidiary, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group, that is defined as:

(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 the key management personnel of the Group or of a holding company of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, 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 employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 the key management personnel of the entity (or of a holding company of the entity); and

(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 a holding company of the Group.

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:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management of the Group in the preparation of the Historical Financial Information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty:

(i) Useful lives of property, plant and equipment and right-of-use assets

The management of the Group determines the estimated useful lives of the Group's property, plant and equipment and right-of-use assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(ii) Impairment of intangible assets, property, plant and equipment and right-of-use assets

The management of the Group determines whether the Group's intangible assets, property, plant and equipment and right-of-use assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of intangible assets, property, plant and equipment and right-of-use assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from intangible assets, property, plant and equipment and right-of-use assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) Estimation and constraint of variable consideration

The sales contracts include rights to return/refund, gross profit margin guarantees, volume-based rebates and penalty and/or other marketing incentives that give rise to variable consideration. In estimating the variable consideration, the Group applies either the expected-value or the most-likely-amount method whichever better predicts the entitled amount.

The Group determines that using the expected-value method by categorising variable considerations into rights to return/refund, gross profit margin guarantees, volume-based rebates and penalty and/or other marketing incentives is appropriate to estimate the variable consideration, considering the factors of (i) large number of contracts that have similar characteristics and (ii) there are more than one thresholds for respective categories of variable considerations contained in the contracts.

Before including any estimated amount of variable consideration in the transaction price, the Group considers whether it is constrained based on the historical experience, business forecast and the current economic conditions.

(iv) Provision for inventories losses

The management of the Group reviews the inventory ageing analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

(v) Loss allowance for ECL

The management of the Group estimates the loss allowances for trade and other receivables and contract assets by using various inputs and assumptions including risk of a default and expected loss rates. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and contract assets.

(vi) Income taxes

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

(vii) Provision for onerous contracts

The Group's management recognised the provision for onerous contracts with their best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Future changes in HKFRSs

At the date of approving the Historical Financial Information, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the Relevant Periods, which the Group has not early adopted.

Amendments to HKAS 21	Lack of Exchangeability[(1)]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurements of Financial Instruments[(2)]
Annual Improvements to HKFRS Accounting Standards	Volume 11[(2)]
HKFRS 18	Presentation and Disclosure in Financial Statements[(3)]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[(3)]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[(4)]

(1) Effective for annual periods beginning on or after 1 January 2025
(2) Effective for annual periods beginning on or after 1 January 2026
(3) Effective for annual periods beginning on or after 1 January 2027
(4) The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial information.

4. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the Relevant Periods, as the Group manages its business as a whole as the businesses of sales of nutritional products and executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Segment information is not presented accordingly.

Geographical information

(a) Revenue from external customers

The Company is an investment holding company and the Group is principally engaged in the sales of nutritional products in the PRC during the Relevant Periods. The Group earns substantially all of its revenue from external customers attributed to its sales to the PRC.

(b) Specified non-current assets

The specified non-current assets information is based on the locations of assets and included the Group's intangible assets, property, plant and equipment and right-of-use assets (the "**Specified Non-current Assets**"). All of the Group's Specified Non-current Assets were located in the PRC.

Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of total revenue of the Group during the Relevant Periods are as follows. The identities of the following customers were same as the identities set forth in the section headed "Business" of the Document.

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Sales of nutritional products					
Customer A	76,287	52,706	Note	21,352	21,205
Customer B	72,861	104,151	137,180	66,566	49,996
Shanghai Yicunxin	38,205	54,662	Note	21,343	Note
Customer D	Note	Note	Note	Note	18,383

Note: These customers contributed less than 10% of the Group's total revenue in respective periods under the Relevant Periods.

5. REVENUE

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue from contracts with customers within HKFRS 15					
At a point in time					
— Sales of nutritional products	337,608	367,297	426,545	192,076	146,086

Note: The revenue recognised for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, which was included in the contract liabilities in relation to refundable receipts in advance at the beginning of each reporting period, was approximately RMB731,000, RMB645,000, RMB221,000, RMB221,000 (unaudited) and RMB308,000, respectively (Note 20).

Contract liabilities represent advance payments received from the customers for goods that have not been transferred to the customers. The contract liabilities fluctuated during the Relevant Periods due to fluctuation in sales orders with advance payments.

6. OTHER INCOME AND OTHER (LOSSES) GAINS, NET

		Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
6(a). Other income						
Interest income		477	718	2,187	852	1,554
Government grants	6(i)	7,565	9,308	10,966	9,268	10,776
Compensation from litigation claims	6(ii)	—	1,306	60	—	—
Compensation from customers	6(iii)	352	374	164	158	205
Gain on lease termination		5	—	—	—	—
Sundry income		106	87	97	97	220
		8,505	11,793	13,474	10,375	12,755
6(b). Other (losses) gains, net						
Exchange (loss) gain, net		(458)	50	1,163	(404)	131
Loss on disposal of property, plant and equipment, net		—	(90)	(16)	(7)	—
Write-down of inventories, excluding milk powder products	16	(5,910)	(2,909)	(3,689)	(388)	(389)
Write-down of milk powder products	22	—	(17,699)	—	—	—
Provision for inventories, excluding milk powder products	16	—	—	(2,155)	—	—
(Provision for) Reversal of inventories loss on milk powder products	22	—	(20,687)	415	—	142
Changes in input VAT arising from (reversal of) provision for inventories loss on milk powder products	22	—	(4,990)	53	—	18
Provision for loss allowance on deposits paid to the Ausnutria Group *(as defined in Note 22)*	22	—	(20,149)	—	—	—
(Provision for) Reversal of onerous contracts	22	—	(17,952)	5,000	—	—
(Provision for) Reversal of loss allowances on trade receivables, net	28	(1,538)	61	(174)	(1,214)	(246)
Write-down of other receivables		—	(4)	(207)	(29)	—
		(7,906)	(84,369)	390	(2,042)	(344)
		599	(72,576)	13,864	8,333	12,411

Notes:

(i) Government grants represent fiscal supports that the relevant government authorities offered to the Group's entities operate in Shanghai, the PRC and carried out its businesses in designated tax incentives zones in the PRC. There was no unfulfilled condition or contingency relating to the government grants.

(ii) These represented income from litigation claims regarding to the Group's registered trademarks.

(iii) Compensation income from customers represents penalty levied on customers for unauthorised distribution of goods which were prohibited under the distribution agreements signed between the Group's entities and the customers.

7. PROFIT BEFORE TAX

This is stated after charging:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Staff costs (including directors' emoluments)					
Salaries, discretionary bonus, allowances and other benefits in kind	11,788	12,170	14,426	7,082	5,080
Contributions to defined contribution plans	1,840	2,010	2,174	1,165	1,095
	13,628	14,180	16,600	8,247	6,175
Other items					
Auditors' remuneration	40	40	124	60	60
Depreciation of property, plant and equipment (charged to "selling and distribution expenses" and "administrative and other operating expenses", as appropriate)	1,435	1,524	1,394	803	335
Depreciation of right-of-use assets (charged to "selling and distribution expenses" and "administrative and other operating expenses", as appropriate)	2,136	3,287	3,510	1,729	1,634
Expenses recognised under short-term leases	15	38	74	26	37

8. DIRECTORS' REMUNERATION

The Company was incorporated in the Cayman Islands on 21 January 2019. Mr. Wang Ping was appointed as an executive director of the Company on the same day. Ms. Cui Juan and Mr. Chan Hok Leung were appointed as an executive director and a non-executive director of the Company, respectively, on 27 March 2019. Ms. Yim Wing Yee, Mr. Lau Kwok Fai Patrick and Mr. Yu Tsz Ngo were appointed as independent non-executive directors of the Company on [•].

Certain directors of the Company received remuneration from the Group during the Relevant Periods for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company during the Relevant Periods are set out below.

Year ended 31 December 2021

	Directors' fees *RMB'000*	**Salaries, allowances and other benefits in kind** *RMB'000*	**Discretionary bonus** *RMB'000*	**Contributions to defined contribution plans** *RMB'000*	**Total** *RMB'000*
Executive directors					
Mr. Wang Ping	—	600	150	112	862
Ms. Cui Juan	—	300	50	106	456
Non-executive director					
Mr. Chan Hok Leung	—	—	—	—	—
	—	900	200	218	1,318

Year ended 31 December 2022

	Directors' fees *RMB'000*	**Salaries, allowances and other benefits in kind** *RMB'000*	**Discretionary bonus** *RMB'000*	**Contributions to defined contribution plans** *RMB'000*	**Total** *RMB'000*
Executive directors					
Mr. Wang Ping	—	600	150	123	873
Ms. Cui Juan	—	300	75	108	483
Non-executive director					
Mr. Chan Hok Leung	—	—	—	—	—
	—	900	225	231	1,356

Year ended 31 December 2023

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Wang Ping	—	600	144	131	875
Ms. Cui Juan	—	300	75	108	483
Non-executive director					
Mr. Chan Hok Leung	—	—	—	—	—
	—	900	219	239	1,358

Six months ended 30 June 2023 (Unaudited)

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Wang Ping	—	300	75	64	439
Ms. Cui Juan	—	150	38	54	242
Non-executive director					
Mr. Chan Hok Leung	—	—	—	—	—
	—	450	113	118	681

Six months ended 30 June 2024

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Wang Ping	—	300	72	67	439
Ms. Cui Juan	—	150	38	54	242
Non-executive director					
Mr. Chan Hok Leung	—	—	—	—	—
	—	450	110	121	681

During the Relevant Periods, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Relevant Periods is as follows:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
				(Unaudited)	
Director	2	2	1	1	1
Non-director	3	3	4	4	4
	5	5	5	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, discretionary bonus, allowances and other benefits in kind	6,510	6,179	7,884	3,847	1,474
Contributions to defined contribution plans	349	362	413	196	225
	6,859	6,541	8,297	4,043	1,699

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
				(Unaudited)	
Nil to HK$1,000,000	2	2	3	3	4
HK$3,000,001 to HK$3,500,000	—	—	—	1	—
HK$6,500,001 to HK$7,000,000	1	1	1	—	—

During the Relevant Periods, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Relevant Periods.

10. TAXATION

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax					
PRC enterprise income tax ("**PRC EIT**")	34,293	32,050	28,951	8,561	5,745
Deferred taxation ***(Note 23)***					
Origination and changes in temporary differences	162	(21,159)	6,326	5,362	673
Total income tax expenses for the year/period	34,455	10,891	35,277	13,923	6,418

The Group entities established in the Cayman Islands and the BVI are exempt from income tax of those jurisdictions.

The Group's entities established/operated in the PRC are subject to the PRC EIT at a statutory rate of 25% during the Relevant Periods.

Hong Kong profit tax has not been provided as (i) the entire income generated by the Group's subsidiary in Hong Kong during the year ended 31 December 2021 was claimed as offshore and (ii) no assessable profit was generated by the Group in Hong Kong during the Relevant Periods.

Republic of Seychelles profit tax has not been provided as the Group has no business carried out in Republic of Seychelles for the Relevant Periods. During the Relevant Periods, Numans Sales, being the Company's subsidiary incorporated in the Republic of Seychelles, carried on its business through receiving management services from other subsidiaries of the Group by paying management services fees ("**Management Services Fees**"). The Management Services Fees received by the Company's subsidiaries were subject to the PRC EIT at a tax rate of 25%.

During the Relevant Periods, Numans HK was subject to the PRC EIT at a tax rate of 10% in relation to the royalty income received from two subsidiaries established in the PRC, namely, Gold Nemans and Hontat Nutritional, (the "**Royalty Income**") for granting the right of use of its established trademarks ("紐曼思" and "紐曼斯"), which are registered in the PRC, to Gold Nemans and Hontat Nutritional. The Royalty Income is offshore in respect of Numans HK under the arrangement between the PRC and the Hong Kong Special Administrative Region "*Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income*". Accordingly, Numans HK is being provided a relief from double taxation by allowing tax credits in Hong Kong on the income tax paid by Numans HK in the PRC and Numans HK was not subject to Hong Kong profit tax.

According to the PRC EIT Law, dividends paid to foreign investors of foreign-invested companies are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC. During the year ended 31 December 2021, dividends declared by the Group's subsidiaries established in the PRC were subject to withholding taxes.

Reconciliation of income tax expenses

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax	154,125	98,413	194,621	91,181	51,699
Income tax at statutory tax rate applicable in respective tax jurisdictions	28,444	9,511	32,513	13,563	6,046
Non-deductible expenses	2,434	1,392	1,314	279	214
Tax exempt revenue	(5)	(1)	(25)	(7)	(3)
Withholding tax on distributable profits	3,575	—	—	—	—
Unrecognised tax losses	—	—	1,475	—	161
Unrecognised temporary difference	7	(11)	—	88	—
Income tax expenses for the year/ period	34,455	10,891	35,277	13,923	6,418

11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

12. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Dividends declared to equity owners of the Company	61,000	51,000	—	—	—

No dividends per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

13. INTANGIBLE ASSETS

	Patent *RMB'000*
Cost	
At 1 January 2022	—
Addition	4,100
At 31 December 2022, 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	4,100

In February 2022, Gold Nemans entered into a contract with an independent third party (the "**Vendor**"), pursuant to which, Gold Nemans agreed to purchase and the Vendor agreed to sale a patent (the "**Patent**") with a total consideration of RMB4,100,000 (the "**Patent Contract**"). During the year ended 31 December 2022, Gold Nemans has paid 90% of the total consideration. The remaining 10% was settled in July 2023 after the legal title is officially transferred to Gold Nemans (Note 20(vi)).

The administrative process for registration of the legal title of the Patent was in progress during the period from February 2022 to June 2023. According to the Patent Contract, upon 90% of the total consideration was paid, Gold Nemans has the exclusive right of use of the Patent before the legal title is officially transferred and being promised that no other parties except for Gold Nemans has such right to use.

The Patent is acquired for the business of nutritional products. The Group's management is of the opinion that the Patent has indefinite useful lives as it is transferable and able to renew with minimal cost, which is therefore carried at cost less accumulated impairment, if any.

The Group carries out impairment test for intangible assets with indefinite useful lives by comparing their recoverable amounts to their carrying amounts at the end of each reporting period.

The recoverable amount of the Patent with indefinite useful lives were assessed with reference to the value-in-use calculations using pre-tax cash flow projections which is approved by the Group's management covering a 3-year period at 31 December 2022 (the "**2022's Assessment**"), 31 December 2023 (the "**2023's Assessment**") and 30 June 2024 (the "**June 2024's Assessment**"). The significant inputs into value-in-use calculations are (i) the budgeted gross profits, which are determined based on the past performance and the expectation of market development on the corresponding products under the Patent; (ii) a pre-tax discount rate of approximately 13.6% for the 2022's Assessment, the 2023's Assessment and the June 2024's Assessment to derive the present value of future cash flows; and (iii) a long-term annual growth rate of approximately 8.1% for the 2022's Assessment, 3.3% for the 2023's Assessment and 4.0% for the June 2024's Assessment.

At 31 December 2022 and 2023 and 30 June 2024, the management of the Group was of the view that the Patent with indefinite useful live was not impaired as the recoverable amounts of the patent at the end of the respective reporting date exceed the carrying amounts.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	**Leasehold improvements** *RMB'000*	**Furniture, fixtures and office equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
Reconciliation of carrying amount — year ended 31 December 2021					
At 1 January 2021	2,802	73	470	2,947	6,292
Additions	—	73	229	694	996
Depreciation	(148)	(85)	(170)	(1,032)	(1,435)
At 31 December 2021	2,654	61	529	2,609	5,853

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Reconciliation of carrying amount — year ended 31 December 2022					
At 1 January 2022	2,654	61	529	2,609	5,853
Additions	—	—	133	1,063	1,196
Disposals	—	—	—	(119)	(119)
Depreciation	(148)	(61)	(187)	(1,128)	(1,524)
At 31 December 2022	2,506	—	475	2,425	5,406
Reconciliation of carrying amount — year ended 31 December 2023					
At 1 January 2023	2,506	—	475	2,425	5,406
Additions	—	—	205	—	205
Disposals	—	—	(16)	—	(16)
Depreciation	(148)	—	(132)	(1,114)	(1,394)
At 31 December 2023	2,358	—	532	1,311	4,201
Reconciliation of carrying amount — six months ended 30 June 2024					
At 1 January 2024	2,358	—	532	1,311	4,201
Additions	—	—	—	1,095	1,095
Depreciation	(74)	—	(59)	(202)	(335)
At 30 June 2024	2,284	—	473	2,204	4,961

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At 31 December 2021					
Cost	3,296	3,935	2,085	8,424	17,740
Accumulated depreciation	(642)	(3,874)	(1,556)	(5,815)	(11,887)
Net carrying amount	2,654	61	529	2,609	5,853
At 31 December 2022					
Cost	3,296	3,935	2,218	8,293	17,742
Accumulated depreciation	(790)	(3,935)	(1,743)	(5,868)	(12,336)
Net carrying amount	2,506	—	475	2,425	5,406
At 31 December 2023					
Cost	3,296	3,935	2,277	8,293	17,801
Accumulated depreciation	(938)	(3,935)	(1,745)	(6,982)	(13,600)
Net carrying amount	2,358	—	532	1,311	4,201
At 30 June 2024					
Cost	3,296	3,935	2,277	9,388	18,896
Accumulated depreciation	(1,012)	(3,935)	(1,804)	(7,184)	(13,935)
Net carrying amount	2,284	—	473	2,204	4,961

15. RIGHT-OF-USE ASSETS

	Leased properties *RMB'000*
Reconciliation of carrying amount — year ended 31 December 2021	
At 1 January 2021	1,919
Additions	1,498
Depreciation	(2,136)
Lease termination	(106)
At 31 December 2021	1,175
Reconciliation of carrying amount — year ended 31 December 2022	
At 1 January 2022	1,175
Additions	9,409
Depreciation	(3,287)
At 31 December 2022	7,297
Reconciliation of carrying amount — year ended 31 December 2023	
At 1 January 2023	7,297
Additions	1,838
Depreciation	(3,510)
At 31 December 2023	5,625
Reconciliation of carrying amount — six months ended 30 June 2024	
At 1 January 2024	5,625
Additions	1,825
Depreciation	(1,634)
At 30 June 2024	5,816
At 31 December 2021	
Cost	5,973
Accumulated depreciation	(4,798)
Net carrying amount	1,175
At 31 December 2022	
Cost	10,908
Accumulated depreciation	(3,611)
Net carrying amount	7,297
At 31 December 2023	
Cost	11,247
Accumulated depreciation	(5,622)
Net carrying amount	5,625
At 30 June 2024	
Cost	10,566
Accumulated depreciation	(4,750)
Net carrying amount	5,816

During the Relevant Periods, the initial lease terms of the Group's various leased properties used for its daily operations were ranging from 2 to 5 years.

Extension and termination options

The lease contracts of leased properties contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. The extension option of the leased properties is normally exercised because the Group does not want to incur additional costs, such as leasehold improvements, while exercising the termination option is normally unusual unless the Group could replace the leased properties without significant cost or acquisition of a new property. The Group seldom exercises an option not previously included in its determination of the lease term, or seldom not to exercises an option previously included in its determination of the lease term. During the Relevant Periods, all of lease contracts for leased properties contains an extension or termination option, in which the total lease payment made amounted to approximately RMB2,311,000, RMB3,603,000 RMB3,860,000, RMB1,895,000 (unaudited) and RMB1,795,000, respectively, representing the total cash outflows for lease during the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024.

Restriction or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessors, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

Commitments under leases

At 31 December 2021, 2022 and 2023 and 30 June 2024, the Group was committed to short-term leases or low-value asset leases of approximately RMB7,000, RMB80,000, RMB26,000 and RMB24,000, respectively.

16. INVENTORIES

		At 31 December			At 30 June
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials		11,468	8,482	9,100	7,811
Finished goods		18,911	102,177	115,726	107,395
		30,379	110,659	124,826	115,206
Less: Write-down of inventories (excluding milk powder products)	6(b)	(5,910)	(2,909)	(3,689)	(389)
Write-down of milk powder products	22	—	(17,699)	(20,751)	(20,809)
Provision for inventories (excluding milk powder products)	6(b)	—	—	(2,155)	—
Provision for inventories loss on milk powder products	22	—	(20,687)	(35,933)	(30,985)
		24,469	69,364	62,298	63,023

17. TRADE AND OTHER RECEIVABLES

		At 31 December			At 30 June
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
From third parties		35,982	42,367	32,508	34,190
Less: Loss allowances	28	(2,083)	(1,976)	(2,150)	(2,396)
	17(a)	33,899	40,391	30,358	31,794
Other receivables					
Marketing Incentives receivables *(Note i)*		751	—	2,301	—
Prepaid promotional expenses		1,359	2,502	2,131	3,070
Other prepayments *(Note ii)*		2,564	2,449	824	2,276
Deposits paid to suppliers		26,610	24,772	39,080	17,439
Deposits paid to the Ausnutria Group	22	10,000	20,149	—	—
VAT and other taxes recoverable		—	1,159	468	—
Other deposits and receivables		1,520	1,973	2,165	5,624
		42,804	53,004	46,969	28,409
Less: Loss allowances	22 & 28	—	(20,149)	—	—
	17(c)	42,804	32,855	46,969	28,409
		76,703	73,246	77,327	60,203

Notes:

(i) The amounts due were variable consideration receivables arising from volume-based penalty imposed on certain customers. The amounts are repayable upon billed.

(ii) The amounts at 31 December 2021, 2022 and 2023 and 30 June 2024 included prepaid [REDACTED] expenses of approximately RMB665,000, RMB517,000, RMB86,000 and RMB1,258,000, respectively.

17(a). Trade receivables

The ageing analysis of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

	At 31 December			At 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	28,629	36,930	24,744	24,263
31 to 60 days	3,790	1,157	3,738	1,698
61 to 90 days	45	394	41	1,070
Over 90 days	1,435	1,910	1,835	4,763
	33,899	40,391	30,358	31,794

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	At 31 December			At 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not yet due	28,609	36,582	24,772	24,835
Past due:				
Within 30 days	3,191	1,025	3,813	710
31 to 60 days	656	500	1,495	1,645
61 to 90 days	15	384	41	253
Over 90 days	1,428	1,900	237	4,351
	5,290	3,809	5,586	6,959
	33,899	40,391	30,358	31,794

The Group normally grants credit terms up to 90 days from the date of issuance of invoices.

17(b). Information about the Group's exposures to credit risks and loss allowances for trade and other receivables are included in Note 28.

17(c). At 31 December 2021, 2022 and 2023 and 30 June 2024, the other receivables were expected to be recovered within 12 months.

17(d). The carrying amounts of the Group's trade and other receivables were denominated in the following currencies:

	At 31 December			At 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	73,874	64,341	73,889	49,879
US$	1,390	8,905	1,885	7,909
HK$	1,439	—	1,553	2,415
	76,703	73,246	77,327	60,203

18. CONTRACT ASSETS

At 31 December 2021, 2022 and 2023 and 30 June 2024, contract assets represent unbilled revenue that the Group has right to receive consideration for goods transferred but not yet billed because the rights are conditional upon the satisfaction by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time when the amount of consideration are finally confirmed between the Group and its customers subsequent to the goods delivered to the customers.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets within HKFRS 15 during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	4,240	25,939	28,154	37,056
Unbilled revenue recognised	25,939	28,154	37,056	52,959
Transfer to trade receivables	(4,240)	(25,939)	(28,154)	(37,056)
At the end of the reporting period	25,939	28,154	37,056	52,959

At 31 December 2021, 2022 and 2023 and 30 June 2024, the contract assets were expected to be recovered within 12 months.

Information about the Group's exposures to credit risks and loss allowances for contract assets are included in Note 28.

The carrying amounts of the Group's contract assets were denominated in the following currencies:

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	13,264	21,021	23,537	33,941
US$	12,233	6,458	13,247	18,736
HK$	442	675	272	282
	25,939	28,154	37,056	52,959

19. CASH AND CASH EQUIVALENTS

The carrying amounts of the Group's cash and cash equivalents were denominated in the following currencies:

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	104,414	91,653	180,048	187,060
US$	46,015	100,699	80,141	106,059
HK$	2,227	486	2,371	2,488
	152,656	192,838	262,560	295,607

The Group's cash and cash equivalents include cash on hand, at banks and assets with a similar nature as cash. Cash at banks earns interest at floating rates based on daily bank deposit rates.

20. TRADE AND OTHER PAYABLES

		At 31 December			At 30 June
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables					
To third parties	20(i)	—	843	—	—
Other payables					
Contract liabilities — refundable receipts in advance	20(ii)	645	221	308	212
Marketing Incentives payables	20(iii)	12,253	6,947	5,603	10,680
Salary payables		2,990	2,836	2,585	1,519
Deposits received from distributors	20(iv)	1,611	1,611	1,591	1,431
Due to distributors	20(v)	15,847	11,871	6,636	5,006
Other accruals and other payables	20(vi)	3,476	6,303	10,260	4,054
VAT and other taxes payables		2,928	6,197	9,917	8,658
		39,750	35,986	36,900	31,560
		39,750	36,829	36,900	31,560

Notes:

(i) The trade payables were unsecured, interest-free and with normal credit terms up to 30 days. At the end of each reporting date, the balances of trade payables were aged within 90 days.

(ii) Contract liabilities — refundable receipts in advance

The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The movements (excluding those arising from increases and decreases both occurred within the same reporting period) of refundable receipts in advance with customers within HKFRS 15 during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	731	645	221	308
Addition	731	645	308	212
Revenue recognised *(Note 5)*	(731)	(645)	(221)	(308)
At the end of the reporting period	645	221	308	212

The contract liabilities of approximately RMB645,000, RMB221,000, RMB308,000 and RMB212,000 at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, represented the aggregate amount of the transaction prices allocated to the performance obligations that are unsatisfied at the end of each reporting period. The Group expected the transaction prices of approximately RMB645,000, RMB221,000, RMB308,000 and RMB212,000 at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, allocated to the unsatisfied performance obligations will be recognised as revenue in one year or less when the obligations are performed.

(iii) The amounts due were variable consideration payables arising from different kinds of the Marketing Incentives. The amounts are unsecured, interest-free and repayable upon billed.

(iv) The amounts represent security deposits placed by the Group's distributors for obtaining rights for selling the Group's selected nutritional products in designated distribution channels.

(v) The amounts represent (i) receipts for the goods sold to customers in the regions designated to distributors through the Group's online store operated on third-party's online platform and (ii) payables arising from sales of goods in the regions with the Group's designated distributors among which the Group agreed to pay and the distributors agreed to be compensated in an agreeable amount.

(vi) The amounts (i) at 31 December 2021, 2022 and 2023 and 30 June 2024 included accrued [REDACTED] expenses of approximately nil, RMB1,008,000, RMB4,676,000 and RMB776,000, respectively, and (ii) at 31 December 2022 included payables arising from acquisition of the Patent amounted to RMB410,000, representing 10% of the total consideration (Note 13).

The carrying amounts of the Group's trade and other payables were denominated in the following currencies:

	At 31 December			At 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	33,842	33,686	30,032	28,422
US$	5,651	3,143	2,654	2,386
HK$	257	—	4,214	752
	39,750	36,829	36,900	31,560

21. LEASE LIABILITIES

	At 31 December			At 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	1,027	2,783	2,405	3,017
Non-current portion	200	4,663	3,425	3,024
	1,227	7,446	5,830	6,041

Commitments and present value of lease liabilities:

	Lease payments				Present value of lease payments			
	At 31 December			At 30 June	At 31 December			At 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable:								
Within one year	1,071	3,065	2,618	3,214	1,027	2,783	2,405	3,017
More than 1 year but within 2 years	203	1,658	1,788	2,100	200	1,476	1,670	2,010
More than 2 years but within 5 years	—	3,354	1,806	1,032	—	3,187	1,755	1,014
	1,274	8,077	6,212	6,346	1,227	7,446	5,830	6,041
Less: future finance charges	(47)	(631)	(382)	(305)	—	—	—	—
Total lease liabilities	1,227	7,446	5,830	6,041	1,227	7,446	5,830	6,041

At 31 December 2021, 2022 and 2023 and 30 June 2024, the weighted average effective interest rates of the lease liabilities of the Group were approximately 5.44%, 5.01%, 4.79% and 4.62% per annum, respectively.

22. PROVISIONS

	RMB'000
Obligations under an onerous contract	
At 1 January 2022	—
Additional provision	17,952
At 31 December 2022 and 1 January 2023	17,952
Reversal of the provision for onerous contract *(Note 22(iii))*	(5,000)
Transfer to provision on inventories loss on milk powder products and reversal of input VAT *(Note 22(i))*	(12,952)
At 31 December 2023, 1 January 2024 and 30 June 2024	—
Current portion	
At 31 December 2022	17,952
At 31 December 2023 and 30 June 2024	—

On 22 December 2021, one of the Company's subsidiaries, Gold Nemans, entered into an agreement with a Ausnutria Group (the "**Ausnutria Group**"), who is carrying out business in the PRC, for purchasing series models of milk powder products under the brands licensed by the Ausnutria Group (the "**Original Agreement**"). Pursuant to the Original Agreement, Gold Nemans had committed predetermined tonnages of milk powder products starting from the financial year of 2022. Upon entering into the Original Agreement, Gold Nemans paid a deposit of RMB10,000,000 to the Ausnutria Group (Note 17) and the milk powder products were delivered to Gold Nemans (the "**Original Batch of Milk Powders**") with further settlement during the period from January 2022 to September 2022.

In April 2022, it was announced that a batch of the milk powder products of the Ausnutria Group manufactured back in February 2020 was found to contain vanillin (香蘭素) during a sample testing conducted by the relevant authority in the PRC (the "**Incidental Event**"). Having the same brand name of milk powder products, the sales of Gold Nemans's milk powder products were indirectly affected by this Incidental Event.

In November 2022, the Ausnutria Group and Gold Nemans entered into a supplemental agreement to the Original Agreement (the "**Supplemental Agreement**"), pursuant to which, portion of purchase commitments for the financial year of 2022 and all of the predetermined purchase commitment for the financial year of 2023 under the Original Agreement are waived.

Subsequent to the Incidental Event, Gold Nemans had additionally paid a sum of approximately RMB20,149,000 (Note 17) during the year ended 31 December 2022 in order to fulfil the remaining purchase commitments under the Original Agreement. This batch of milk powder products was delivered to Gold Nemans during the year ended 31 December 2023 (the "**New Batch of Milk Powders**") and the remaining balance for the New Batch of Milk Powders has also been settled upon the New Batch of Milk Powders delivered to the Group.

Under the Supplemental Agreement, there is a term which needs Gold Nemans to compensate the Ausnutria Group on its costs consumed for acquiring raw materials for production of milk powder products (the "**Unavoidable Costs**") upon request. Such term is only applicable to the costs consumed for the purchased raw materials before cancellation of all purchase commitments.

In October 2023, the Ausnutria Group and Gold Nemans entered into a termination agreement in regarding to the Original Agreement and Supplemental Agreement (the "Termination Agreement"), pursuant to which, the remaining purchase commitment under the Original Agreement that had not been waived under Supplemental Agreement are waived. In addition, the Group was released from the Unavoidable Costs under the Termination Agreement.

Set forth below are the movements of provision on incidental losses on assets arising from sales of milk powder products based on the sequence of purchase of the committed milk powder products during the respective reporting period:

	Write-down of milk powder products *(Note i)* *RMB'000*	**Provision for inventories loss on milk powder products** *(Note i)* *RMB'000*	**Changes in input VAT** *(Note i)* *RMB'000*	**Provision for loss allowance on deposits paid to the Ausnutria Group** *(Note ii)* *RMB'000*	**Provision for onerous contracts** *(Note iii)* *RMB'000*	**Total** *RMB'000*
At 1 January 2022	—	—	—	—	—	—
Movements of incidental losses for the reporting period						
— Charged to profit or loss *(Note 6(b))*	17,699	20,687	4,990	20,149	17,952	81,477
At 31 December 2022 and 1 January 2023	17,699	20,687	4,990	20,149	17,952	81,477
Movements of incidental losses for the reporting period						
— Reversal of provision for inventories loss on milk powder products due to donations	—	(10,580)	(1,375)	—	—	(11,955)
— Reversal of provision for onerous contracts *(Note 6(b))*	—	—	—	—	(5,000)	(5,000)
— Reversal of provision for inventories loss on milk powder products due to sales during the year *(Note 6(b))*	—	(415)	(53)	—	—	(468)
— Transfers to write-down of milk powder products	3,052	(3,052)	—	—	—	—
— Transfers to provision for inventories loss on milk powder products	—	29,293	—	(17,830)	(11,463)	—
— Transfer to reversal of input VAT	—	—	3,808	(2,319)	(1,489)	—
At 31 December 2023	20,751	35,933	7,370	—	—	64,054

	Write-down of milk powder products *(Note i)* *RMB'000*	Provision for inventories loss on milk powder products *(Note i)* *RMB'000*	Changes in input VAT *(Note i)* *RMB'000*	Provision for loss allowance on deposits paid to the Ausnutria Group *(Note ii)* *RMB'000*	Provision for onerous contracts *(Note iii)* *RMB'000*	Total *RMB'000*
At 1 January 2024	20,751	35,933	7,370	—	—	64,054
Movements of incidental losses for the reporting period						
— Reversal of provision for inventories loss on milk powder products due to donations	—	(4,748)	(618)	—	—	(5,366)
— Reversal of provision for inventories loss on milk powder products due to sales during the period *(Note 6(b))*	—	(142)	(18)	—	—	(160)
— Transfers to write-down of milk powder products	58	(58)	—	—	—	—
At 30 June 2024	20,809	30,985	6,734	—	—	58,528

Notes:

(i) Included in the Original Batch of Milk Powders, write-down of milk powder products of approximately RMB17,699,000 (excludes input VAT of approximately RMB2,301,000) was made by the Group for the obsolesced milk powder products during the year ended 31 December 2022. This write-down was taken into account the realised revenue from sales of milk powder products of approximately RMB3,628,000 before the Incidental Event and income received of approximately RMB1,338,000 for selling the obsolesced milk powder products to a milk powder recycler in December 2022.

In addition to the write-down of obsolesced milk powder products of approximately RMB17,699,000, provision for inventories loss on milk powder products of approximately RMB20,687,000 (excludes input VAT of approximately RMB2,689,000) was made on the remaining balance of the Original Batch of Milk Powders during the year ended 31 December 2022. During the year ended 31 December 2023 and the six months ended 30 June 2024, the Group had transferred provision for inventories loss on milk powder products of approximately RMB3,052,000 and RMB58,000, respectively, to write-down of milk powder products and reversed approximately RMB10,995,000 (excludes input VAT of approximately RMB1,428,000) and approximately RMB4,890,000 (excludes input VAT of approximately RMB636,000), respectively.

The transfer was due to the milk powder products became obsolesced during the year ended 31 December 2023 and the six months ended 30 June 2024 whereas the amounts reversed of (i) approximately RMB10,580,000 (excludes input VAT of approximately RMB1,375,000) and of approximately RMB4,748,000 (excludes input VAT of approximately RMB618,000) during the year ended 31 December 2023 and the six months ended 30 June 2024, respectively, represented the donated portion of milk powder products for which the condition of the donated milk powder products were categorised as slow-moving due to the Incidental Event instead of obsolesced and (ii) approximately RMB415,000 (excludes input VAT of approximately RMB53,000) and approximately RMB142,000 (excludes input VAT of approximately RMB18,000) during the year ended 31 December 2023 and the six months ended 30 June 2024, respectively, represented the costs of selling the slow-moving milk powder products.

Moreover, upon the milk powder products which are recognised under (i) provision for loss allowance on deposits paid to the Ausnutria Group and (ii) provision for onerous contracts were delivered to the Group during the year ended 31 December 2023, the corresponding provisions amounted to approximately RMB17,830,000 (excludes input VAT of approximately RMB2,319,000) and RMB11,463,000 (excludes input VAT of approximately RMB1,489,000), respectively, were transferred to provision for inventories loss on milk powder products as the management of the Group considered that the sales of these milk powder products were uncertain.

(ii) The amount represents the loss allowance made on the deposits paid for the New Batch of Milk Powders.

(iii) It represents the unavoidable costs which were non-cancellable costs for which Gold Nemans had the obligation to settle under the Original Agreement and Supplemental Agreement. The management of the Group considers the unavoidable costs is the potential net unavoidable costs for the Group to meet the obligations which exceed the economic benefits expected to be received. Such unavoidable costs include (i) amount to be paid for the New Batch of Milk Powders of approximately RMB12,952,000 (includes expected input VAT of approximately RMB1,489,000) and (ii) potential compensation to the Ausnutria Group under the Supplemental Agreement with maximum exposure of RMB5,000,000.

In October 2023, all purchase commitment under the Original Agreement and the Unavoidable Costs of RMB5,000,000 under the Supplemental Agreement were agreed to be cancelled by the Ausnutria Group and Gold Nemans.

23. DEFERRED TAXATION

	At 31 December			At 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	2,017	23,176	16,850	16,177

The movements in the Group's deferred tax assets were as follows:

	Provision for impairment allowances for trade and other receivables	**Incidental losses on assets arising from sales of milk powder products**	**Unrealised profit**	**Tax losses**	**Accrued revenue and costs**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	136	—	2,018	—	25	2,179
Income tax credit (expense)	385	—	(535)	—	(12)	(162)
At 31 December 2021 and 1 January 2022	521	—	1,483	—	13	2,017
Income tax credit (expense)	(27)	15,369	455	5,337	25	21,159
At 31 December 2022 and 1 January 2023	494	15,369	1,938	5,337	38	23,176
Income tax credit (expense)	43	(1,359)	(1,615)	(3,386)	(9)	(6,326)
At 31 December 2023 and 1 January 2024	537	14,010	323	1,951	29	16,850
Income tax credit (expense)	61	(1,311)	578	—	(1)	(673)
At 30 June 2024	598	12,699	901	1,951	28	16,177

At 31 December 2022 and 2023 and 30 June 2024, the Group has deductible temporary differences arising from tax losses of approximately RMB21,348,000, RMB13,704,000 and RMB14,348,000, respectively.

Deferred tax assets were recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. At 31 December 2022 and 2023 and 30 June 2024, deferred tax assets of approximately RMB5,337,000, RMB1,951,000, and RMB1,951,000, respectively, have been recognised in respect of deductible temporary differences of approximately RMB21,348,000, RMB7,804,000 and RMB7,804,000, respectively, as it is forecasted that taxable profit will be available against which the deductible temporary differences can be utilised. The remaining deductible temporary differences of Nil, approximately RMB5,900,000, and RMB6,544,000, respectively, have not been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. The deductible temporary differences arising from tax losses can be offset against future taxable profits of the respective subsidiaries for a maximum of 5 years from the period in which the tax loss was incurred.

Except for withholding taxes on distributed profits of approximately RMB3,575,000 for the year ended 31 December 2021, are recognised for the distribution of accumulated profits under the Group's PRC entities, no deferred tax has been recognised for withholding taxes that would be payables on the unremitted earnings of the Group's subsidiaries established in the PRC at the end of each reporting period. The Group made no distribution of accumulated profit under its PRC subsidiaries during the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024. In the opinion of the management of the Group, it is probable that the remaining earnings from its PRC subsidiaries will not be distributed in the foreseeable future. The estimated withholding tax effects on the distribution of accumulated profits under the Group's subsidiaries established in the PRC were approximately RMB23,766,000, RMB29,141,000 and RMB30,851,000 at 31 December 2022 and 2023 and 30 June 2024, respectively.

24. SHARE CAPITAL AND THE FINANCIAL INFORMATION OF THE COMPANY

24(a). Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 January 2019. At the date of its incorporation, the authorised share capital of HK$380,000 was divided into 380,000,000 ordinary shares at HK$0.001 each. At the date of this report, 200 ordinary shares were issued.

Pursuant to the Reorganisation completed on 28 March 2019, the Company became the holding company of the entities now comprising the Group. Further details of the change in authorised and issued capital of the Company since its incorporation are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" of the Document.

Save as disclosed above, the Company has not commenced any significant business or operation since its incorporation.

24(b). Investment in a subsidiary

Investment in a subsidiary represents 100% of the issued share capital of Hontat Management.

24(c). Amounts due from/to subsidiaries

The amounts due from/to subsidiaries were non-trade in nature, unsecured, interest-free and repayable on demand.

24(d). Reserves of the Company

	Accumulated profits (losses) *RMB'000*
At 1 January 2021	67
Profit for the year	61,949
Transactions with owners:	
Contributions and distributions	
Dividends *(Note 12)*	(61,000)
At 31 December 2021 and 1 January 2022	1,016
Profit for the year	50,770
Transactions with owners:	
Contributions and distributions	
Dividends *(Note 12)*	(51,000)
At 31 December 2022 and 1 January 2023	786
Profit for the year	699
At 31 December 2023 and 1 January 2024	1,485
Loss for the period	(4,219)
At 30 June 2024	(2,734)

25. RESERVES

25(a). Capital reserve

The capital reserve represents the aggregate amount of the nominal value of the issued/paid-up capital of the entities now comprising the Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation.

25(b). Translation reserve

The translation reserve comprises all foreign exchange differences arising from the Reorganisation and the translation of foreign operations for consolidation.

25(c). Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the PRC are required to appropriate to the statutory reserve an amount not less than 10% of the amount of profit after tax (as reported in the respective statutory financial statements of the PRC subsidiaries prepared in accordance with the PRC accounting regulations). If the accumulated statutory reserve reaches 50% of the registered share capital of the respective PRC subsidiaries, the subsidiary may not be required to make any further appropriation. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

The accumulated statutory reserves of Rujian International, Gold Nemans and Hontat Nutritional had reached 50% of their respective registered share capital prior to 1 January 2020 and for Aumay Dairy, the accumulated statutory reserves had reached 50% of its registered share capital during the year ended 31 December 2021.

26. RELATED PARTY TRANSACTIONS

The Group had the following related parties' transactions during the Relevant Periods.

(a) Related party transactions of the Group

Transactions between the group entities have been eliminated on consolidation and are not disclosed. During the Relevant Periods, the Group had the following significant transactions with related parties. In the opinion of the directors of the Company, they are under normal commercial terms that are fair and reasonable and in the best interests of the Group.

Name of the related party	Nature of the transaction	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Chiyunshe Trading (Shanghai) Company Limited* ("**Chiyunshe Trading**") (池雲舍貿易(上海)有限公司) *(Note i)*	Purchase of promotional materials	—	496	—	—	—
Shanghai Kepeng Weishangwu Consulting Company Limited* ("**Shanghai Kepeng**") (上海科澎微商務諮詢有限公司) *(Note ii)*	Provision of promotional services	—	23	—	—	—

Notes:

(i) At 31 December 2022, 100% equity interests of Chiyunshe Trading was held by Far-East Fortune.

(ii) At 31 December 2022, approximately 35.46% equity interests of Shanghai Kepeng was held by Far-East Fortune.

* *For identification purpose only*.

(b) Remuneration for key management personnel (including directors) of the Group:

Remuneration for key management personnel of the Group, representing amounts paid to the Company's directors (Note 8) and senior management personnel, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances, discretionary bonus, and other benefits in kind	6,858	6,743	7,690	3,595	1,493
Contributions to defined contribution plans	339	370	400	208	200
	7,197	7,113	8,090	3,803	1,693

27. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had the following major non-cash transactions:

(i) During the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, lease arrangements in respect of leased assets were entered into with a total capital value at the inception of leases of approximately RMB1,392,000, RMB9,409,000 and RMB1,838,000, RMB1,799,000 (unaudited) and RMB1,825,000, respectively.

(ii) During the year ended 31 December 2022, RMB410,000 arising from acquisition of intangible assets was not yet due for settlement (Note 13).

(iii) During the year ended 31 December 2023, provision for loss allowance on deposits paid to the Ausnutria Group of approximately RMB17,830,000 and provision for onerous contracts of approximately RMB11,463,000 were transferred to provision for inventories loss on milk powder products (Note 22).

(iv) During the year ended 31 December 2023 and the six months ended 30 June 2024, provision for inventories loss on milk powder products of approximately RMB3,052,000 and RMB58,000 were transferred to write-down of milk powder products (Note 22).

(b) Reconciliation of liabilities arising from financing activities

The movements during the Relevant Periods in the Group's liabilities arising from financing activities are as follows:

			Non-cash changes			
	At 1 January 2021	Net cash flow	Declaration of dividends	Lease termination	Addition of right-of-use assets	At 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021						
Lease liabilities	2,019	(2,179)	—	(5)	1,392	1,227
Dividends payables	—	(27,010)	61,000	—	—	33,990
Total liabilities from financing activities	2,019	(29,189)	61,000	(5)	1,392	35,217

			Non-cash changes			
	At 1 January 2022	Net cash flow	Declaration of dividends	Lease termination	Addition of right-of-use assets	At 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022						
Lease liabilities	1,227	(3,190)	—	—	9,409	7,446
Dividends payables	33,990	(4,990)	51,000	—	—	80,000
Total liabilities from financing activities	35,217	(8,180)	51,000	—	9,409	87,446

			Non-cash changes			
	At 1 January 2023	Net cash flow	Declaration of dividends	Lease termination	Addition of right-of-use assets	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023						
Lease liabilities	7,446	(3,454)	—	—	1,838	5,830
Dividends payables	80,000	(80,000)	—	—	—	—
Total liabilities from financing activities	87,446	(83,454)	—	—	1,838	5,830

			Non-cash changes			
	At 1 January 2023	Net cash flow	Declaration of dividends	Lease termination	Addition of right-of-use assets	At 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2023 (Unaudited)						
Lease liabilities	7,446	(1,693)	—	—	1,799	7,552
Dividends payables	80,000	—	—	—	—	80,000
Total liabilities from financing activities	87,446	(1,693)	—	—	1,799	87,552

	At 1 January 2024	Net cash flow	Non-cash changes: Declaration of dividends	Non-cash changes: Lease termination	Non-cash changes: Addition of right-of-use assets	At 30 June 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2024						
Lease liabilities	5,830	(1,614)	—	—	1,825	6,041

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash and cash equivalents, lease liabilities and dividends payables. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables, contract assets and trade and other payables, which arise directly from its business activities.

The accounting policies for financial instruments have been applied to the line items below:

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets — at amortised cost				
Trade and other receivables	72,780	67,136	73,904	54,857
Contract assets	25,939	28,154	37,056	52,959
Cash and cash equivalents	152,656	192,838	262,560	295,607
	251,375	288,128	373,520	403,423
Financial liabilities — at amortised cost				
Trade and other payables	33,832	27,796	24,398	21,383
Lease liabilities	1,227	7,446	5,830	6,041
Dividends payables	33,990	80,000	—	—
	69,049	115,242	30,228	27,424

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The management of the Group reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Foreign currency risk

The Group's transactions are mainly denominated in RMB, US$ and HK$.

Certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The carrying amounts of those financial assets and liabilities are analysed as follows:

	Financial assets				Financial liabilities			
	At 31 December			At 30 June	At 31 December			At 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RMB	—	449	1,718	1,038	—	(157)	(39)	(45)
US$	—	3,386	1,934	6,695	—	—	—	—
HK$	4,108	1,148	4,068	4,283	(257)	(996)	(3,923)	(557)

The following table indicates the approximate change in the Group's pre-tax results if exchange rates of RMB, US$ and HK$ had changed against the functional currencies of the respective group entities by 10% and all other variables were held constant at the end of each reporting period.

	Year ended 31 December			Six months ended 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
+10%	385	383	376	571
–10%	(385)	(383)	(376)	(571)

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of each reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of each reporting period does not reflect the exposure during the Relevant Periods.

Credit risk

The carrying amount of financial assets recognised on the Historical Financial Information, which is net of loss allowances, represents the Group's exposure to credit risk on these financial assets without taking into account the credit enhancements.

Trade receivables and contract assets

The Group trades only with recognised, creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and periodic credit evaluations are performed on these customers. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 90 days.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and region in which customers operate also has an influence on credit risk but to a lesser extent. Credit evaluations focus on the customer's past history of making payments when due and current ability to pay, taking into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

At 31 December 2021, 2022 and 2023 and 30 June 2024, the Group had a concentration of credit risk as approximately 57.3%, 52.2%, 52.4% and 45.2%, respectively, of the total trade receivables was due from the Group's largest trade debtor and approximately 93.8%, 95.5%, 93.5% and 95.2%, respectively, of the total trade receivables was due from the Group's five largest trade debtors.

At 31 December 2021, 2022 and 2023 and 30 June 2024, the Group had a concentration of credit risk as approximately 53.3%, 60.8%, 60.1% and 55.4%, respectively, of the total contract assets was due from the Group's largest customer and approximately 100%, 100%, 98.3% and 97.3% of the contract assets was due from the Group's five largest customers.

The Group's customer base consists of a wide range of customers and the trade receivables and contract assets are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and contract assets and recognises loss allowances based on lifetime ECL at the end of each reporting period on a combination of both individual and collective basis.

Trade receivables and contract assets with known insolvencies, including among others, failure to make contractual payments and legal actions are taken by other creditors for recovering the amount due from that customer, are assessed individually for loss allowance and are written off when there is no reasonable expectations of recovering the contractual cash flows. For the remaining trade receivables and contract assets, ECL is estimated on group basis based on shared credit risk characteristics and collectively assessed for likelihood of recovery, considering the nature of customers, the geographical locations they operate and the ageing categories. The contract assets relate to unbilled revenue and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the ECL rates for the contract assets.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment for assessing ECL on group collective basis. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past periods and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the trade receivables and contract assets. There was no change in the estimation techniques or significant assumptions made during the Relevant Periods.

Considered no significant default history and no forward-looking factors that give rise to significant default risk on trade receivables and contract assets for balances of both not yet past due and past due below 90 days at the end of each reporting period, and no material change in the corresponding late payment and default risk as well as forward-looking factors throughout the Relevant Periods, the management of the Group estimates that the ECL for those balances is insignificant.

Trade receivables

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix is summarised as follows:

	Weighted average ECL rate (approximately)	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Credit-impaired**
	%	*RMB'000*	*RMB'000*	*RMB'000*	
At 31 December 2021					
Not yet due	0	28,609	—	28,609	No
1 to 30 days past due	0	3,191	—	3,191	No
31 to 60 days past due	0	656	—	656	No
61 to 90 days past due	0	15	—	15	No
Over 90 days past due	59.3	3,511	(2,083)	1,428	Yes
		35,982	(2,083)	33,899	

	Weighted average ECL rate (approximately)	Gross carrying amount	Loss allowance	Net carrying amount	Credit-impaired
	%	*RMB'000*	*RMB'000*	*RMB'000*	
At 31 December 2022					
Not yet due	0	36,582	—	36,582	No
1 to 30 days past due	0	1,025	—	1,025	No
31 to 60 days past due	0	500	—	500	No
61 to 90 days past due	0	384	—	384	No
Over 90 days past due	51.0	3,876	(1,976)	1,900	Yes
		42,367	(1,976)	40,391	

	Weighted average ECL rate (approximately)	Gross carrying amount	Loss allowance	Net carrying amount	Credit-impaired
	%	*RMB'000*	*RMB'000*	*RMB'000*	
At 31 December 2023					
Not yet due	0	24,772	—	24,772	No
1 to 30 days past due	0	3,813	—	3,813	No
31 to 60 days past due	0	1,495	—	1,495	No
61 to 90 days past due	0	41	—	41	No
Over 90 days past due	90.1	2,387	(2,150)	237	Yes
		32,508	(2,150)	30,358	

	Weighted average ECL rate (approximately)	Gross carrying amount	Loss allowance	Net carrying amount	Credit-impaired
	%	*RMB'000*	*RMB'000*	*RMB'000*	
At 30 June 2024					
Not yet due	0	24,835	—	24,835	No
1 to 30 days past due	0	710	—	710	No
31 to 60 days past due	0	1,645	—	1,645	No
61 to 90 days past due	0	253	—	253	No
Over 90 days past due	35.5	6,747	(2,396)	4,351	Yes
		34,190	(2,396)	31,794	

The Group recognised loss allowances of approximately RMB2,083,000, RMB1,976,000, RMB2,150,000 and RMB2,396,000 on the trade receivables at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. The movements in loss allowances for trade receivables during the Relevant Periods are summarised below.

	Year ended 31 December			Six months ended 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	545	2,083	1,976	2,150
Provision for (Reversal of) loss allowances, net	1,538	(61)	174	246
Amounts written off	—	(46)	—	—
At the end of the reporting period	2,083	1,976	2,150	2,396

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance:

(a) changes because of financial instruments originated, acquired and derecognised (including those that were written-off) during the period; and

(b) modification of contractual cash flows on trade receivables that do not result in the derecognition of those trade receivables.

Contract assets

At 31 December 2021, 2022 and 2023 and 30 June 2024, the contracts assets of the Group amounted to approximately RMB25,939,000, RMB28,154,000, RMB37,056,000 and RMB52,959,000, respectively, were not yet past due. Having considered there was no material change in the late payment and default risk as well as forward-looking factors of the contract assets throughout the Relevant Periods, the management of the Group estimates that the ECL for those balances is insignificant.

The Group does not hold any collateral over trade receivables and contract assets at 31 December 2021, 2022 and 2023 and 30 June 2024.

Other financial assets carried at amortised costs

The Group's other financial assets carried at amortised costs include other receivables and cash and cash equivalents in the consolidated statements of financial position.

The Group's cash and cash equivalents include cash on hand, at banks and assets with similar nature as cash, of which cash at banks are deposited in major financial institutions located in the PRC and assets with similar nature as cash are deposited in high creditworthy financial institutions located in the PRC, which are of high credit rating. The management of the Group does not expect any losses arising from non-performance by these counterparties.

In estimating the ECL on other receivables, the Group's management has taken into account the historical actual credit loss experience over the past years, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the Relevant Periods.

Except for the balance of deposits paid to the Ausnutria Group as set out in Note 17, the Group's management considers that the other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. The ECL of other receivables is therefore considered to be negligible and is measured on 12-month ECL and reflects the short maturities of the exposures.

At 31 December 2022, the Group recognised loss allowances of approximately RMB20,149,000 on deposits paid to the Ausnutria Group. Such loss allowances on deposits paid to the Ausnutria Group were further transferred to provision on inventories loss on milk powder products and reversal of input VAT during the year ended 31 December 2023. The movement in the loss allowances for deposits paid to the Ausnutria Group (Note 22) is summarised below.

	Year ended 31 December	
	2022	**2023**
	RMB'000	*RMB'000*
At the beginning of the reporting period	—	20,149
Increase in allowances	20,149	—
Transfer to provision on inventories loss on milk powder products	—	(17,830)
Transfer to reversal of input VAT	—	(2,319)
At the end of the reporting period	20,149	—

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities, based on the contractual undiscounted payments, is summarised below:

	Total carrying amount	**Total contractual undiscounted cash flow**	**On demand or less than 1 year**	**1 to 2 years**	**2 to 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021					
Trade and other payables	33,832	33,832	33,832	—	—
Lease liabilities	1,227	1,274	1,071	203	—
Dividends payables	33,990	33,990	33,990	—	—
	69,049	69,096	68,893	203	—
At 31 December 2022					
Trade and other payables	27,796	27,796	27,796	—	—
Lease liabilities	7,446	8,077	3,065	1,658	3,354
Dividends payables	80,000	80,000	80,000	—	—
	115,242	115,873	110,861	1,658	3,354
At 31 December 2023					
Trade and other payables	24,398	24,398	24,398	—	—
Lease liabilities	5,830	6,212	2,618	1,788	1,806
	30,228	30,610	27,016	1,788	1,806
At 30 June 2024					
Trade and other payables	21,383	21,383	21,383	—	—
Lease liabilities	6,041	6,346	3,214	2,100	1,032
	27,424	27,729	24,597	2,100	1,032

29. FAIR VALUE MEASUREMENTS

The management of the Group estimates the fair value of its financial assets and financial liabilities measurement of amortise cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statements of financial position approximate their fair value.

30. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Relevant Periods.

31. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2024, the Group has the following subsequent events:

(i) Pursuant to the resolution of the Company's sole shareholder passed on [•], inter-alia, the authorised share capital of the Company was increased from HK$380,000 to HK$[5,000,000] by the creation of an additional [4,620,000,000] shares of HK$0.001 each and the Capitalisation Issue (as defined below) was conditionally approved.

(ii) Pursuant to the resolution in writing of the Company's sole shareholder passed on [•], subject to the share premium account of the Company being credited as a result of the [REDACTED] of the Company's shares, the directors of the Company were authorised to allot and issue a total of [REDACTED] shares of HK$0.001 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$[REDACTED] standing to be credit of the [REDACTED] of the Company (the "**Capitalisation Issue**") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue).

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with HKFRSs and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2024.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 January 2019 under the Companies Act. The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (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 Act 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 [•] with effect from the [REDACTED]. 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 Act, 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 (including 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. 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) subdivide 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 of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by

recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to 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. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

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 Act 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. Subject to the Companies Act, the Company is further authorised to hold any repurchased, redeemed or surrendered shares as treasury shares without the need for a separate resolution of the board for each instance.

The board may accept the surrender for no consideration of any fully paid share.

(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 so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term 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 Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in 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 to their nominal value.

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 Act 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 Act, 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 past 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.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(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 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) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(bbb) 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 and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal 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;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or 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 generally accorded to the class of persons to which such scheme or fund relates;

(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.

(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 Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of 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 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. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

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, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member 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 member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(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. All other general meetings must be called by notice of at least fourteen (14) clear 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; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(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 or, for quorum purposes only, two persons appointed by the clearing house as authorised representative or proxy, and entitled to vote. In respect of a separate class meeting (including 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 as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(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 Act 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 Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before 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 by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution 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 Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to 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 members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members 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 members 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 maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(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 members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, 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 Act 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 Act, 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 ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company 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 Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(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 Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any

meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(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 Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(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 Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(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 31 January 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to 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 Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act 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. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(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 thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) 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. 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.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, 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.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) 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.

(t) 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).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on 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 Act, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available on Display — 2. Documents Available on Display" in Appendix V to this document. 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 GROUP

1.1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 21 January 2019 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 10 May 2019, and our principal place of business in Hong Kong is at 2408, Word-wide House, 19 Des Voeux Road Central, Central, Hong Kong. Wang Ping of 2408, Word-wide House, 19 Des Voeux Road Central, Central, Hong Kong and Tang Tsz Tsun of Flat D, 23/F, No.2 Park Road, Mid-levels, Hong Kong have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution comprises the Memorandum of Association and the Articles. A summary of the relevant aspects of the company law of the Cayman Islands and certain provisions of the Memorandum and the Articles is set out in Appendix III to this document.

1.2. Changes in the share capital in our Company

(a) Changes in the authorised and issued share capital

As at the date of incorporation of our Company, our Company had an authorised share capital of HK$380,000 divided into 380,000,000 Shares of HK$0.001 each. On 21 January 2019 (i.e. the date of its incorporation), one subscriber Share was allotted and issued, credited as fully paid up, to an officer of the registered office provider of our Company, and such share was transferred to Far-East Fortune on the same date. In addition, 99 Shares, credited as fully paid, were allotted and issued to Far-East Fortune. The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this document:

(i) on 28 March 2019, 100 Shares were allotted and issued, credited as fully paid, to Far-East Fortune, details of which are set out in the paragraph headed "History, Reorganisation and Group Structure — Reorganisation" in this document;

(ii) pursuant to the written resolutions passed by sole Shareholder on [•] 2024, among others, the authorised share capital of our Company was increased from HK$380,000 divided into 380,000,000 Shares of HK$0.001 each to [HK$5,000,000] divided into [5,000,000,000] Shares of HK$0.001 each by the creation of an additional of [4,620,000,000] Shares of HK$0.001 each, each ranking *pari passu* with the Shares then in issue in all respects;

(iii) on [•] 2024, our sole Shareholder resolved that conditional on the share premium account of our Company being credited as a result of the issue of new Shares under the [REDACTED], our Directors were authorised to capitalise an amount of HK$[REDACTED] standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par [REDACTED] Shares for allotment and issue to Far-East Fortune, which is the name appeared in the register of members of our Company at close of business on [•] 2024; and

(iv) immediately following completion of the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of options under the Share Option Scheme or the [REDACTED]), [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

See paragraph headed "History, Reorganisation and Group Structure — Corporate Development — Our Company" in this document for the details of changes in the share capital of our Company.

(b) Information as at the Latest Practicable Date and immediately after the [REDACTED]

The following is a description of the authorised share capital and the share capital of our Company in issue and to be issued as fully paid immediately prior to and following the completion of the [REDACTED]:

Number		
Authorised share capital:		*HK$*
[5,000,000,000]	Shares	[5,000,000]
Issued and to be issued and fully paid or credited as fully paid:		
200	Shares in issue as at the date of this document	0.2
[REDACTED]	Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Total *(Note)*	[REDACTED]

Note: The share capital of our Company will be enlarged by up to an additional [REDACTED] Shares in the event that the [REDACTED] is exercised in full.

Assumptions

The above table assumes that the [REDACTED] becomes unconditional and Shares are issued pursuant to the [REDACTED]. It takes no account of any Shares which may be issued upon the exercise of options under the Share Option Scheme or the [REDACTED] or of any Shares which may be issued or purchased by us pursuant to the [REDACTED] and Repurchase Mandate granted to our Directors to issue or purchase Shares as described below.

Immediately following completion of the [REDACTED] and upon the exercise of the [REDACTED] in full but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, it is expected that the share capital of our Company will comprise [REDACTED] Shares.

(c) Founder shares

Our Company has no founder shares, management shares or deferred shares.

Other than pursuant to the exercise of the [REDACTED] and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any shares of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above, there has been no alteration in the share capital of our Company since our incorporation up to the date of this document.

1.3. Resolutions in writing of our sole Shareholder passed on [•] 2024

Pursuant to the written resolutions passed by our sole Shareholder on [•] 2024, among others:

(a) our Company approved and adopted the Memorandum in substitution for and to the exclusion of the then existing memorandum of association of our Company with immediate effect;

(b) our Company approved and adopted the Articles in substitution for and to the exclusion of the then existing articles of association of our Company with effect from the [REDACTED];

(c) the authorised share capital of our Company was increased from HK$380,000 divided into 380,000,000 Shares of HK$0.001 each to HK$[5,000,000] divided into [5,000,000,000] Shares of HK$0.001 each by the creation of an additional of [4,620,000,000] Shares of HK$0.001 each, each ranking *pari passu* with the Shares then in issue in all respects with immediate effect;

(d) conditional on all the conditions set out in the paragraph headed "Structure and Conditions of the [REDACTED] — Conditions of the [REDACTED]" in this document being fulfiled:

(i) the [REDACTED] and the grant of the [REDACTED] (which shall be exercisable by the [REDACTED] on behalf of the [REDACTED]) were approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED] and such number of Shares as may be required to be allotted and issued upon the exercise of the [REDACTED];

(ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected by the Stock Exchange, and at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the issue of new Shares under the [REDACTED], our Directors were authorised to capitalise HK$[REDACTED], standing to the credit of the share premium account of our Company by applying that sum in paying up in full [REDACTED] Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on [•] 2024 (or as they may direct) in proportion (as nearly as possible without involving factions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholding in our Company and so that the Shares be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with unissued Shares in the capital of our Company and to make or grant offers, agreements and options which may require the exercise of such powers, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme or other arrangements regulated by Chapter 17 of the Listing Rules, or under the [REDACTED] or the Capitalisation Issue, or issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are

convertible into Shares, with an aggregate number of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the [REDACTED] (but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the [REDACTED] or exercise of options that may be granted under the Share Option Scheme) and (bb) the number of Shares which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Act to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to [REDACTED] Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and recognised by the SFC and the Stock Exchange for this purpose and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules, with an aggregate number of not exceeding 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the [REDACTED] (but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the [REDACTED] or exercise of options that may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Act to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

1.4. Reorganisation

See paragraph headed "History, Reorganisation and Group Structure — Reorganisation" in this document for details of the Reorganisation in preparation for the [REDACTED] of our Shares on the Stock Exchange.

1.5. Information about our subsidiaries in PRC

Our Group has the following subsidiaries in PRC, a summary of the corporate information of these subsidiaries as at the Latest Practicable Date is set out as follows:

(i) Gold Nemans

Full name of company	Gold Nemans (Shanghai) Foods Co., Limited* (金紐曼思(上海)食品有限公司)
Date of establishment	20 December 2010
Economic nature	Wholly-owned enterprise by Taiwan, Hong Kong or Macau legal person(s)
Registered shareholder	Numans HK
Registered capital fully paid up	HK$5,000,000
Term of operation (or, where applicable, its expiry date)	until 19 December 2030
Equity interest attributable to our Group	100%

The scope of permitted business as recorded in the business licences of Gold Nemans as at the Latest Practicable Date is set out below:

Gold Nemans	Wholesale, commission agency (excluding auctions), import and export in respect of lactic fermenting beverages, dairy products (including infant formula milk powder products), daily necessities, food and food distribution, and provision of related supporting services (excluding commodities that are subject to trading and management by the state; application for dealings in commodities which are subject to quotas administration and licence administration shall be made under relevant national regulations); business information consultation. (Projects which require approval(s) from relevant government departments shall only be carried out upon the receipt of such approval(s).)

(ii) Rujian International

Full name of company	Shanghai Rujian International Trading Co., Ltd. * (上海乳健國際貿易有限公司)
Date of establishment	12 November 2002
Economic nature	Wholly-owned enterprise by Taiwan, Hong Kong or Macau legal person(s)
Registered shareholder	Numans HK
Registered capital fully paid up	RMB1,000,000
Term of operation (or, where applicable, its expiry date)	Long-term
Equity interest attributable to our Group	100%

The scope of permitted business as recorded in the business licences of Rujian International as at the Latest Practicable Date is set out below:

Rujian International	Permitted items: Import and export of goods and technology, import and export agency, food operation. (Projects which require approval(s) from relevant government departments shall only be carried out upon the receipt of such approval(s), specific business projects are subject to the approval documents or permits by the relevant government departments.) General items: Engaged in technological development, transfer, services and consultation in respect of computer technology, network technology, chemical technology, biotechnology (excluding development and application of human stem cells, genetic diagnosis and treatment technology) and environmental protection technology; sales and commission agency (excluding auctions) in respect of metal materials, hardware and electrical equipment, construction materials, chemical materials and products (except dangerous chemicals, controlled chemicals, explosives for civilian purposes, and precursor chemicals), electromechanical equipment, communications products, daily necessities, and related supporting services. (Except for projects subject to approval(s) from relevant government departments, business activities are carried out independently with business license according to law.)

(iii) Hontat Nutritional

Full name of company	Hontat (Shanghai) Nutritional Food Co., Ltd.* (瀚達(上海)營養食品有限公司)
Date of establishment	6 April 2011
Economic nature	Wholly-owned enterprise by Taiwan, Hong Kong or Macau legal person(s)
Registered shareholder	Numans HK
Registered capital fully paid up	HK$5,000,000
Term of operation (or, where applicable, its expiry date)	until 5 April 2031
Equity interest attributable to our Group	100%

The scope of permitted business as recorded in the business licences of Hontat Nutritional as at the Latest Practicable Date is set out below:

Hontat Nutritional	Permitted items: Food operation, import and export of goods and technology, import and export agency. (Projects which require approval(s) from relevant government departments shall only be carried out upon the receipt of such approval(s), specific business projects are subject to the approval documents or licensing documents of the relevant government departments.) General items: sale of daily necessities, commission agency (excluding auctions), business information consultation (excluding investment consultation). (Except for projects subject to approval(s) from relevant government departments, business activities are carried out independently with business license according to law.)

(iv) Aumay Dairy

Full name of company	Shanghai Aumay Dairy Company Limited* (上海澳美澳乳業有限公司)
Date of establishment	9 November 2017
Economic nature	Wholly-owned by legal person(s) controlled or invested by natural person(s)
Registered shareholder	Gold Nemans
Registered capital fully paid up	RMB10,000,000
Term of operation (or, where applicable, its expiry date)	until 8 November 2037
Equity interest attributable to our Group	100%

The scope of permitted business as recorded in the business licences of Aumay Dairy as at the Latest Practicable Date is set out below:

Aumay Dairy	Food distribution, sales of daily necessities, business information consultation, import and export of goods and technology. (Projects which require approval(s) from relevant government departments shall only be carried out upon the receipt of such approval(s).)

1.6. Changes in the share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this document. Apart from the alterations disclosed in paragraph 1.4. under this appendix and the paragraph headed "History, Reorganisation and Group Structure — Corporate Development" in this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

1.7. Repurchases by our Company of our own securities

This section includes information required by the Stock Exchange to be included in the document concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary [REDACTED] on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. Our Company may not repurchase our own shares 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.

Any repurchases by our Company may be made out of profits or our Company's share premium account or out of the [REDACTED] of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased. Subject to satisfactory of the solvency test prescribed by the Companies Act, a repurchase of Shares may also be paid out of the share capital of the Company.

(iii) Trading Restrictions

The total number of shares which our Company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. Our Company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase whether on the Stock Exchange or otherwise (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, our Company is prohibited from repurchasing our Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which our Shares were traded on the Stock Exchange. The Listing Rules also prohibit our Company from repurchasing our securities which would result in the number of the [REDACTED] which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by 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) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically [REDACTED] and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchase

Our Company shall not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is 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 our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing

Rules), and ending on the date of the results announcement, we may not repurchase our Shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a [REDACTED] company has breached the Listing Rules.

(vi) 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, our 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.

(vii) Core connected persons

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person" (which includes a Director, chief executive or substantial shareholder of our Company or any of our subsidiaries or a close associate of any of them) and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of repurchases and impact on working capital or gearing position

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this document) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the Capitalisation Issue and the [REDACTED] without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme, could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Act to be held; or

(iii) the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

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 pursuant to the Repurchase Mandate, 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 Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

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 agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

Our Directors confirmed that the Repurchase Mandate does not contain any unusual features.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

2.1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) the Deed of Indemnity, brief details of which are set out in paragraph 4.1. under this appendix; and

(b) the [REDACTED].

2.2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered owner of the following trademarks which are material to the operation of our Group:

	Trademark	Place of registration	Registration number	Class	Validity period	Registered owner
1.	纽曼思	PRC	62431939	5	7 February 2024 to 6 February 2034	Numans HK
2.	纽曼思	PRC	73331139	5	21 May 2024 to 20 May 2034	Numans HK
3.	NEMANS	PRC	71991066	5	28 February 2024 to 27 February 2034	Numans HK
4.	NEMANS	PRC	71991075	5	28 February 2024 to 27 February 2034	Numans HK
5.	*Nemans*	PRC	29736465	5	7 February 2019 to 6 February 2029	Numans HK
6.	*Nemans*	PRC	62431957	5	7 September 2022 to 6 September 2032	Numans HK
7.	*Nemans*	PRC	71991062	5	28 February 2024 to 27 February 2034	Numans HK
8.	纽曼思	PRC	7815357	29	7 September 2012 to 6 March 2031	Numans HK
9.	纽曼思	PRC	58415994A	29	28 March 2022 to 7 March 2032	Numans HK
10.	纽曼思	PRC	61298549	29	14 August 2023 to 13 August 2033	Numans HK
11.	纽曼思	PRC	69308404	29	14 February 2024 to 13 February 2034	Numans HK
12.	纽曼思	PRC	71992668	29	14 April 2024 to 13 April 2034	Numans HK

	Trademark	Place of registration	Registration number	Class	Validity period	Registered owner
13.	纽曼斯	PRC	7310618	29	21 April 2011 to 20 April 2031	Numans HK
14.	NEMANS	PRC	7310623	29	14 October 2010 to 13 October 2030	Numans HK
15.	NEMANS	PRC	71974336-	29	28 February 2024 to 27 February 2034	Numans HK
16.	Nemans	PRC	29729888	29	21 February 2019 to 20 February 2029	Numans HK
17.	Nemans	PRC	62433193	29	7 September 2022 to 6 September 2032	Numans HK
18.	NEMANS	PRC	71965096	29	28 February 2024 to 27 February 2034	Numans HK
19.	纽曼思	PRC	64256857	35	7 March 2023 to 6 March 2033	Numans HK
20.	Numans	PRC	62437425	5	7 November 2022 to 6 November 2032	Numans HK
21.	Numans	PRC	62427871	29	28 August 2022 to 27 August 2032	Numans HK
22.	N纽曼思 emans	PRC	62440917	3	14 October 2022 to 13 October 2032	Numans HK
23.	纽曼思	PRC	62144029	35	7 May 2023 to 6 May 2033	Numans HK
24.	Numans	PRC	59521746	30	28 March 2022 to 27 March 2032	Numans HK
25.	Nemans	PRC	54866697	5	7 December 2021 to 6 December 2031	Numans HK
26.		PRC	54081614	30	7 October 2021 to 6 October 2031	Numans HK
27.		PRC	54061640	29	7 October 2021 to 6 October 2031	Numans HK
28.		PRC	54056588	5	7 October 2021 to 6 October 2031	Numans HK
29.		PRC	54066598	5	7 October 2021 to 6 October 2031	Numans HK
30.		PRC	54083823	29	7 October 2021 to 6 October 2031	Numans HK
31.		PRC	54080198	30	7 October 2021 to 6 October 2031	Numans HK
32.	金纽曼思	PRC	50213568	30	28 August 2021 to 27 August 2031	Numans HK
33.	金纽曼斯	PRC	46768449	29	28 March 2021 to 27 March 2031	Numans HK

	Trademark	Place of registration	Registration number	Class	Validity period	Registered owner
34.	金纽曼斯	PRC	46768609	30	28 March 2021 to 27 March 2031	Numans HK
35.	金纽曼思	PRC	46797652	5	7 February 2021 to 6 February 2031	Numans HK
36.	金纽曼斯	PRC	46800748	5	14 April 2021 to 13 April 2031	Numans HK
37.	纽曼思	PRC	44003186	30	21 February 2021 to 20 February 2031	Numans HK
38.	Numans	PRC	44003664	30	28 November 2020 to 27 November 2030	Numans HK
39.	Nemans	PRC	44003662	30	28 November 2020 to 27 November 2030	Numans HK
40.	金纽曼思	PRC	42038117	5	14 May 2021 to 13 May 2031	Numans HK
41.	金纽曼斯	PRC	42049043	5	7 October 2022 to 6 October 2032	Numans HK
42.	金纽曼斯	PRC	42056810	29	14 January 2022 to 13 January 2032	Numans HK
43.	金纽曼斯	PRC	42038169	30	28 September 2022 to 27 September 2032	Numans HK
44.	金纽曼思	PRC	42056860	30	14 January 2021 to 13 January 2031	Numans HK
45.	N纽曼思umans	PRC	29729882	29	21 December 2020 to 20 December 2030	Numans HK
46.	*Numans*	PRC	29735067	29	7 February 2019 to 6 February 2029	Numans HK
47.	*Numans*	PRC	29721647	5	7 February 2019 to 6 February 2029	Numans HK
48.	N纽曼思emans	PRC	29732508	29	21 December 2020 to 20 December 2030	Numans HK
49.	Numans	PRC	23710181	30	14 April 2018 to 13 April 2028	Numans HK
50.	NUMANS	PRC	10707250	29	28 June 2023 to 27 June 2033	Numans HK
51.	NUMANS	PRC	10707200	5	7 August 2023 to 6 August 2033	Numans HK
52.	金纽曼思	PRC	7815377	29	7 March 2021 to 6 March 2031	Numans HK
53.	NEMANS	PRC	7308728	30	21 August 2020 to 20 August 2030	Numans HK
54.	NEMANS	PRC	7308699	5	21 September 2020 to 20 September 2030	Numans HK
55.	*Nemans*	PRC	68948044	30	21 June 2023 to 20 June 2033	Numans HK
56.	NEMANS	PRC	68951027	30	21 June 2023 to 20 June 2033	Numans HK
57.	*Numans*	PRC	68956668	30	21 June 2023 to 20 June 2033	Numans HK
58.	纽曼思	PRC	68080007A	5	21 July 2023 to 20 July 2033	Numans HK
59.	金纽曼思	PRC	61753669	30	14 June 2023 to 13 June 2033	Numans HK
60.	纽曼思	PRC	7815437	30	21 December 2020 to 20 December 2030	Numans HK
61.	NiuManSi 纽 曼 思	PRC	25306045	29	21 August 2018 to 20 August 2028	Numans HK

	Trademark	Place of registration	Registration number	Class	Validity period	Registered owner
62.	NiuManSi 纽曼思	PRC	25316095	5	14 January 2021 to 13 January 2031	Numans HK
63.	纽曼思	PRC	7549283	5	7 November 2020 to 6 November 2030	Numans HK

As of the Latest Practicable Date, we had obtained the licensing rights to use the following trademarks which are material to our business:

	Trademark	Place of registration	Class	Name of registered proprietor	Registration number	Validity period	License period
1	life'sDHA	PRC	5	DSM IP Assets B.V.	13538218	28 June 2022 to 27 June 2032	29 February 2024 to 1 March 2025
2	life'sDHA	PRC	29	DSM IP Assets B.V.	40027747	21 April 2020 to 20 April 2030	29 February 2024 to 1 March 2025
3	life'sDHA	PRC	30	DSM IP Assets B.V.	40027747	21 April 2020 to 20 April 2030	29 February 2024 to 1 March 2025

(b) Domain name

As of the Latest Practicable Date, our Group was the registered owner of the following domain name:

Domain name	Registrant	Validity period
numans.cc	Gold Nemans	30 November 2016 to 30 November 2027

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1. Disclosure of Interests

(a) Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and our associated corporations

As at the date of this document and immediately following the completion of the Capitalisation Issue and the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme, the interests and/or short positions of our 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 and short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register kept by our Company 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 C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

Long Positions in Shares of our Company

			As at the date of this [REDACTED]		Immediately after the Capitalisation Issue and the [REDACTED]	
Name of Director	**Nature of interest/ Capacity**	**Relevant company (including associated corporations)**	**Number of Shares in the relevant company**	**Approximate percentage of shareholding**	**Number of Shares in the relevant company**	**Approximate percentage of shareholding**
Mr. Wang	Interested in controlled corporation	Our Company	200	100%	[REDACTED]	[REDACTED]
Ms. Cui	Interested in controlled corporation	Our Company	200	100%	[REDACTED]	[REDACTED]

Note:

(1) The said Shares were held by Far-East Fortune, which is owned as to 91% by Mr. Wang and as to 9% by Ms. Cui as at the Latest Practicable Date respectively. By virtue of the SFO, each of Mr. Wang and Ms. Cui is deemed to be interested in the same parcel of Shares in which Far-East Fortune is interested.

(b) Interests of our substantial Shareholders

So far as is known to any Director or chief executive of our Company as at the date of this document, and immediately following the completion of the Capitalisation Issue and the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest and/or short position in the Shares or the 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 are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Long Positions in Shares of our Company

		As at the date of this [REDACTED]		**Immediately after the Capitalisation Issue and the [REDACTED]**	
Name of Shareholder	**Nature of interest/ Capacity**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Far-East Fortune	Beneficial owner	200	100%	[REDACTED]	[REDACTED]

Note:

(1) Far-East Fortune is owned as to 91% by Mr. Wang and as to 9% by Ms. Cui as at the Latest Practicable Date respectively.

3.2. Directors' service contracts and letters of appointment

Executive Directors

Each of our executive Directors (namely, Mr. Wang and Ms. Cui) has entered into a service contract with our Company pursuant to which he or she agreed to act as an executive Director for an initial term of three years with effect from [•] 2024.

Each of our executive Directors is entitled to a basic salary set out below. In addition, our executive Directors are also entitled to a discretionary management bonus taking into consideration the financial performance of our Group and the relevant Director's individual contribution to our Group for the financial year concerned, provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company shall not exceed 10% of the audited consolidated net profit of our Group (after taxation, minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors is as follows:

Name	**Annual salary** *(RMB)*
Mr. Wang Ping	600,000
Ms. Cui Juan	300,000

Non-executive Director

Our non-executive Director, Mr. Chan Hok Leung, has entered into a service contract with our Company pursuant to which he agreed to act as a non-executive Director for an initial term of three years with effect from [•] 2024.

Our non-executive Director is entitled to a basic salary of HK$[420,000] per annum. In addition, our non-executive Director is also entitled to a discretionary management bonus taking into consideration the financial performance of our Group and his individual contribution to our Group for the financial year concerned. Our non-executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him.

Independent non-executive Directors

Each of the independent non-executive Directors has entered into a letter of appointment with our Company pursuant to which he/she has been appointed for an initial term of three years commencing from [•] 2024. Each of Ms. Yim Wing Yee, Mr. Lau Kwok Fai Patrick and Mr. Yu Tsz Ngo is entitled to a director's fee of HK$[144,000] per annum. Save for Directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

3.3. Directors' remuneration

(a) The aggregate emoluments paid to our Directors by our Group in respect of the Track Record Period were approximately RMB1.3 million, RMB1.4 million, RMB1.4 million and RMB0.7 million respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2024 will be approximately RMB1.4 million.

(c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the Track Record Period (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the Track Record Period.

3.4. Disclaimers

(a) Save as disclosed in paragraph 3.1.(a) under this appendix, 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 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 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 kept by our Company 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 C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, as at the date of this document and once the Shares are [REDACTED] on the Stock Exchange;

(b) save as disclosed in paragraph 3.1.(b) under this appendix, so far as is known to any Director or chief executive of our Company, no person (other than a Director or chief executive of our Company) 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 issued voting shares of any other member of our Group as at the date of this document and once the Shares are [REDACTED] on the Stock Exchange;

(c) save as disclosed in the section headed "History, Reorganisation and Group Structure" in this document, none of our Directors nor any of the persons listed in paragraph 4.7. below of this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, 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) save as disclosed in the paragraph headed "History, Reorganisation and Group Structure — Reorganisation" and section headed "Relationship with our Controlling Shareholders" in this document, none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this document 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 [REDACTED], none of the persons listed in paragraph 4.7. of this appendix 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 [REDACTED], none of the persons listed in the paragraph 4.7. below of this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(g) save as disclosed in paragraph 3.2. under this appendix, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(h) so far as is known to our Directors, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of the number of issued share capital of our Company) has any interest in any of the five largest suppliers or customers of our Group during the Track Record Period; and

(i) none of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

3.5. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our sole Shareholder on [•] 2024 and its implementation is conditional on the [REDACTED], i.e, a [REDACTED] share option scheme.

(i) Purpose

The purpose of the Share Option Scheme is to incentivize and reward an Eligible Person (as defined below) for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

(ii) Who may participate

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to any of the following classes of participants:

(i) any director and employee of any member of our Group;

(ii) any director or employee of any of the holding companies, fellow subsidiaries or associated companies of our Company; and

(iii) any person (including an entity) that provides services to us on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of our long term growth (the "**Service Provider(s)**").

The basis of eligibility of any of the participants shall be determined by the Board from time to time. In assessing the eligibility of any participant, the Board will consider all relevant factors as appropriate, including, among others, (i) work performance; (ii) years of service; and (iii) potential or actual contribution to the business of the Group (if the participant is an employee or a director of any member of our Group), the actual degree of involvement in and/or cooperation with us and length of our business relationship with the participant (if the participant is a Service Provider). The basis of eligibility of any of the Service Provider participants to the grant of any options shall be determined by us from time to time on the basis of their contribution to our development and growth, the degree of involvement in and/or cooperation with our Group and length of our business relationship with the Service Provider, and the actual or potential support, advice, efforts and contributions the Service Provider participant has exerted and given towards our success.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Share Option Scheme.

(iii) Scheme Mandate Limit and the Service Provider Sublimit

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue as of the [REDACTED], being [REDACTED] Shares (or [REDACTED] Shares (in case the [REDACTED] is exercised in full prior to the [REDACTED])), or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the

terms of the Share Option Scheme and any Other Scheme (as defined below) of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to above, within the Scheme Mandate Limit, the total number of Shares which may be issued upon exercise of all options to be granted to Service Providers shall not exceed [REDACTED] Shares (or [REDACTED] Shares (in case the [REDACTED] is exercised in full prior to the [REDACTED])), representing 1% of the total number of Shares in issue on the [REDACTED] (the "**Service Provider Sublimit**").

The Service Provider Sublimit was determined with reference to the potential dilution effect arising from grants to Service Providers, the actual or expected improvement of our financial performance that is attributable to the Service Providers and the time for using the Service Provider in the activities of our Group. Considering the fact that the individual limit under Rule 17.03D(1) of the Listing Rules is also 1%, there is no other share schemes involving grant of new options over our Shares, our hiring practice and organisational structures and that Service Providers have contributed or is expected to contribute to our long-term growth of our Group's business, the Board is of the view that the Service Provider Sublimit is appropriate and reasonable.

The Board may, with the approval of the Shareholders in general meeting, refresh the Scheme Mandate Limit and the Service Provider Sublimit once every three years provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes ("**Other Schemes**") of our Company as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the refreshment of the Scheme Mandate Limit and the Service Provider Sublimit. Refreshments of Scheme Mandate Limit (and the Service Provider Sublimit) to be made within a three-year period must be approved by the Shareholders (other than our Controlling Shareholders and their associates, or if there is no Controlling Shareholder, other than the Directors (excluding independent non-executive Directors), and the chief executive of our Company and their respective associates) pursuant to Listing Rule 17.03C(1). The Board may, with the approval of the Shareholders in general meeting, grant options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit and/or the Service Provider Sublimit to be exceeded. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any Other Schemes of our Company to the Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

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 independent financial adviser appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

Our Company may grant options under the Share Option Scheme and any Other Schemes of our Company beyond any of the limits as set out above to such extent as may be permitted under the Listing Rules from time to time.

(iv) Maximum entitlement of each individual

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion.

Any further grant of options to an Eligible Person in excess of this 1% limit or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of our Company, his associates) abstaining from voting. Our Company must send a circular to the Shareholders disclosing the identity of the Eligible Person, the number and terms of the options to be granted (and options previously granted to such Eligible Person in the 12-month period) and such other information required under the Listing Rules.

The number and terms (including the Option Price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price under Rule 17.03E of the Listing Rules.

(v) Grant of options to connected persons

Each grant of options to a Director (including an independent non-executive Director), chief executive or substantial shareholder of our Company, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options by the Board must be approved by the Shareholders in general meeting. Such grantee, his associates and all core connected persons of our Company must abstain from voting on the resolution to approve such further grant of options. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(vi) Acceptance of an offer of options

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the Option Price.

(vii) Option Price

Subject to any adjustment made as described in sub-paragraph (xxi) below, the Option Price shall be such price as determined by the Board and shall not be less than the higher of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and

(c) the nominal value of the Shares.

(viii) Duration of Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the [REDACTED], after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

(ix) Time of vesting and exercise of options

Any option shall be vested on an Option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an Option-holder according to such vesting schedule and/or upon the fulfilment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remains unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed 10 years from the offer date of the option or such longer period as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Option Period**").

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which needs to be achieved by an Option-holder before the option can be exercised. Such terms and conditions determined by the Board must not be contrary to the purpose of the Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

(x) Restriction on the time of grant of options

A grant of options may not be made after inside information has come to our knowledge until (and including) the trading day after which such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing 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 our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of the 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 the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(xi) Ranking of the Shares

No dividends (including distributions made upon the liquidation of our Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares allotted and issued on the exercise of an option will rank *pari passu* in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(xii) Restrictions on transfer

Except for the transmission of an option on the death of an Option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any Option-holder to any other person or entity. If an Option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

(xiii) Rights on voluntary resignation

If an Option-holder ceases to be an Eligible Person by reason of his voluntary resignation (other than in circumstances where he is constructively dismissed), any outstanding offer of options shall continue to be open for acceptance for such period as determined by the Board at its absolute discretion and notified to such Eligible Person, and all options (to the extent vested but not

already exercised) will continue to be exercisable for such period as the Board may determine at its absolute discretion and notify to such Eligible Person on the date of cessation of employment of such Eligible Person.

(xiv) Rights on termination of employment

If an Option-holder ceases to be an Eligible Person by reason of (a) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (b) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (c) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the Option-holder ceases to be an Eligible Person.

(xv) Rights on death, disability, retirement and transfer

If an Option-holder ceases to be an Eligible Person by reason of:

(a) his death; or

(b) his serious illness or injury which in the opinion of the Board renders the Option-holder concerned unfit to perform the duties of his employment and which in the normal course would render the Option-holder unfit to continue performing the duties under his contract of employment for the following 12 months provided such illness or injury is not self-inflicted; or

(c) his retirement in accordance with the terms of an Option-holder's contract of employment; or

(d) his early retirement by agreement with the Option-holder's employer; or

(e) his employer terminating his contract of employment by reason of redundancy; or

(f) his employer ceasing to be a member of the Group or an associated company or under the control of our Company; or

(g) a transfer of the business, or the part of the business, in which the Option-holder works to a person who is neither under the control of our Company nor a member of the Group or associated companies of our Company; or

(h) if the Board determines in its absolute discretion that circumstances exist which mean that it is appropriate and consistent with the purpose of the Share Option Scheme to treat an Option-holder whose options

would otherwise lapse so that such options do not lapse but continue to subsist in accordance with (and subject to) the provisions of the Share Option Scheme,

then, any outstanding offer of an option which has not been accepted and any unvested option will lapse and the Option-holder or his personal representatives (if appropriate) may exercise all his options (to the extent vested but not already exercised) within a period of one month of the date of cessation of employment. Any option not exercised prior to the expiry of this period shall lapse.

If the Board determines that an Option-holder who ceases to be an Eligible Person in circumstances such that his options continue to subsist in accordance with (h) above:

(a) is guilty of any misconduct which would have justified the termination of his contract of employment for cause but which does not become known to our Company until after he has ceased employment with any member of our Group or associated companies of our Company; or

(b) is in breach of any material term of contract of employment (or other contract or agreement related to his contract of employment), without limitation, any confidentiality agreement or agreement containing non-competition or non-solicitation restrictions between him and any member of our Group or associated companies of our Company; or

(c) has disclosed trade secrets or confidential information of any member of our Group or associated companies of our Company; or

(d) has entered into competition with any member of our Group or associated companies of our Company or breached any non-solicitation provisions in his contract of employment,

then it may, in its absolute discretion, determine that any unexercised options, vested or not vested, held by the Option-holder shall immediately lapse upon the Board resolving to make such determination (whether or not the Option-holder has been notified of the determination).

(xvi) Rights on cessation to be a director

In the event that any director ceases to be a director of any member of the Group or associated companies of our Company, our Company shall, as soon as practicable thereafter, give notice to the relevant Option-holder who as a result ceases to be an Eligible Person. Any outstanding offer of an option which has not been accepted and any unvested option will lapse on the date the Option-holder ceases to be an Eligible Person. The Option-holder (or his personal representative) may exercise all his options (to the extent vested but not already exercised) within a period of one month of the date of the notification by the Board. Any option not exercised prior to the expiry of this period shall lapse.

(xvii) Rights on a general offer

If as a result of any general offer made to the holders of Shares, the Board becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of our Company has or will become vested in the offeror, any company controlled by the offeror and any person associated with or acting in concert with the offeror, the Board will notify every Option-holder of this within 14 days of becoming so aware or as soon as practicable after any legal or regulatory restriction on such disclosure no longer applies. Each Option-holder will be entitled to exercise his options (to the extent vested but not already exercised) during the period of one month starting on the date of the Board's notification to the Option-holders. All options, vested or unvested, not exercised before the end of such period will lapse.

(xviii) Rights on company reconstructions

In the event of a compromise or arrangement, our Company shall give notice to all Option-holders on the same date as it gives notice of the meeting to the Shareholders or creditors to consider such a compromise or arrangement and each Option-holder (or his personal representative) may at any time thereafter, but before such time as shall be notified by our Company, exercise all or any of his options (to the extent vested but not already exercised), and subject to our Company receiving the exercise notice and the Option Price, our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the Option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(xix) Rights on winding up

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after we dispatch such notice to the Shareholders give notice thereof to all Option-holders and each Option-holder shall be entitled to exercise all or any of his options (to the extent vested but not already exercised) at any time no later than seven days prior to the proposed general meeting of our Company, and subject to our Company receiving the exercise notice and the Option Price, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the Option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(xx) Lapse of option

An option will lapse on the earlier of:

(a) the expiry of the option period as determined by the Board; or

(b) the date when any circumstance referred to in paragraph (xii) above occurs; or

(c) the expiry of the time provided for in the applicable rule where any of the circumstances provided in paragraphs (xiii) to (xix) above apply.

(xxi) Effect of alteration to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, further rights issues of Shares, consolidation or subdivision of shares, or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors of our Company or an independent financial adviser appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable.

Any such adjustments shall be made on the basis that an Option-holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of our Company for which any Option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors of our Company or the independent financial adviser appointed by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange, except where such adjustment is made on a capitalization issue.

The capacity of the auditors or independent financial advisers mentioned above is that of experts and not of arbitrators and their certification shall be final and binding on our Company and the Option-holders in the absence of fraud or manifest error. The costs of the auditors or independent financial advisers shall be borne by our Company.

(xxii) Cancellation of option

Unless the Option-holder agrees, the Board may only cancel an option (which has been granted but not yet exercised) if, at the election of the Board, either:

(a) our Company pays to the Option-holder an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial adviser appointed by the Board; or

(b) the Board offers to grant the Option-holder replacement options (or options under any other share option scheme of any member of the Group) or makes such arrangements as the Option-holder may agree to compensate him for the loss of the option; or

(c) the Board makes such arrangements as the Option-holder may agree to compensate him for the cancellation of the option.

Where our Company cancels options granted to a participant and makes a new grant to the same participant, such new grant may only be made under the Share Option Scheme with available Scheme Mandate Limit approved by the Share- holders. The options cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

(xxiii) Termination of the Share Option Scheme

The Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the [REDACTED]. The Board may terminate the Share Option Scheme at any time without Shareholders' approval by resolving that no further options shall be granted under the Share Option Scheme and in such case, no new offers to grant options under the Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (a) continue subject to the Share Option Scheme, or (b) be cancelled in accordance with paragraph (xxii).

(xxiv) Amendments to the Share Option Scheme

The Board may amend any of the provisions of the Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any Option-holder at that date), except that any amendments to the terms and conditions of the Share Option Scheme which are of a material nature or any amendments to the advantage of present or future Option-holders in respect of matters contained in Rule 17.03 of the Listing Rules may only be made

with the approval of the shareholders of our Company save where the amendments take effect automatically under the existing terms of the Share Option Scheme.

Any amendments to the terms of options granted to an Option-holder who is a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any connected person of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution.

Any change to the authority of the Board in relation to any amendment of the rules of the Share Option Scheme may only be made with the approval of the Shareholders in general meeting.

(xxv) Conditions of the Share Option Scheme

The adoption of the Share Option Scheme is conditional on:

(a) the [REDACTED] granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the [REDACTED] of, and permission to [REDACTED] in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and

(b) the commencement of the [REDACTED] in the Shares on the Stock Exchange.

If the condition above are not satisfied on or before the date following six months after the date on which the Share Option Scheme was conditionally adopted:

(a) the Share Option Scheme shall forthwith determine;

(b) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(c) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Share Option Scheme or any option.

An application has been made to the [REDACTED] to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED] in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme.

(xxvi) Performance targets

If and to the extent that any performance target is required to be achieved by any grantee before an option is capable of being exercised, such performance target shall be based on, amongst other things, length of continued employment with our Group, business or financial performance results, annual corporate targets or goals achieved, relevant transaction milestones, individual performance, sand appraisal on contribution to our Group. There may be instances where it may be impracticable or inappropriate to include specific performance targets as a vesting condition of options. We consider that a grant of options after taking into account actual performance and/or contribution of the individual grantee and appropriate communication to the grantee of such correlation would also have the effect of incentivising and rewarding that grantee for their contribution. It is important that we retain the flexibility to tailor incentives and rewards to achieve the purpose of the Share Option Scheme and to ensure that our Group can continue to offer consistent and market competitive remuneration packages to its employees.

Where a grantee is an independent non-executive Director, the vesting of options shall not be subject to performance targets, unless our Board is satisfied that the existence of such target will not lead to any bias in the decision-making or compromise the objectivity and independence of such grantee in the course of performance by him of his duties as an independent non-executive Director.

(xxvii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favour of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of this Share Option Scheme, or, subject to the Stock Exchange granting a waiver, on a case-by-case basis, transfer to vehicle (such as a trust or a private company) for the benefit of the participant and any family members of such participant (for example, for estate planning or tax planning purposes) that would continue to meet the purpose of the Share Option Scheme and comply with the requirements under Chapter 17 of the Listing Rules.

(xxviii) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options.

Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

(iv) Compliance with Listing Rules

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

4. OTHER INFORMATION

4.1. Estate duty, tax and other indemnities

Our Controlling Shareholders (the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (a) referred to in paragraph 2.1. under this appendix) to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any relevant transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the [REDACTED]; and

(b) tax liabilities (including all actual fines, penalties, liabilities, costs, charges, expenses and interests relating to taxation) which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date of [REDACTED], or any transactions, events, matters or things entered into or occurring on or before the [REDACTED], whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 June 2024 ("**Accounts Date**"); or

(b) to the extent that such taxation or liability for such taxation falling on any of the members of our Group in respect of their accounting periods commencing on the calendar day immediately after the Accounts Date and ending on the [REDACTED], where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction carried out, made or entered into pursuant to a legally binding commitment created on or before the Accounts Date or pursuant to any statement of intention made in this document; or

(c) to the extent that such taxation liabilities or claims arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or the extent such a claim or liability arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to the Accounts Date which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to jointly and severally indemnify and at all times keep the members of our Group and each of them fully indemnified on demand against any depletion in or reduction in value of their assets or any losses (including all legal costs and suspension of operation), costs, expenses, damages or other liabilities which such member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

Pursuant to the Deed of Indemnity, the Indemnifiers have on a joint and several basis undertaken to indemnify and at all times keep the members of our Group and each of them fully indemnified on demand against:

(a) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which any member of our Group may incur, suffer, accrue, directly or indirectly, from any act of any member of our Group arising from or in connection with any non-compliance of any member of our Group on or before the date of [REDACTED], including but not limited to the non-compliances as disclosed in this document or all litigation, arbitration, claims, counter-claims,

actions, complaints, demands, judgments and/or legal proceedings by or against any of the members of our Group which was issued, accrued and/or arising from any act of any member of our Group at any time on or before the date of [REDACTED];

(b) any penalty which may be imposed on any member of our Group, or any costs, expenses and losses which such member of our Group may suffer in connection with such penalty, due to such member 's failure to duly make all relevant filings or reports and supply all other information required to be supplied to any relevant PRC governmental authority, or to observe any laws, regulations or rules in the PRC in this regard;

(c) any losses, liabilities, damages, claims, fines, penalties, orders, expenses and costs or loss of profits, benefits or other commercial advantages suffered by any member of our Group as a result of or in connection with:

(i) the title of any of the properties owned by, leased to or otherwise occupied by the members of our Group in the PRC ("**PRC Properties**") not being good and/or marketable or being subject to encumbrances (including without limitation the absence of building ownership certificate(s) of any of the PRC Properties as at the [REDACTED]);

(ii) the relocation of any office and/or production plants on the PRC Properties by such member of our Group arising from or in connection with the lack of relevant title certificates or documents by any member of our Group or the lessor or, if applicable the lessors' registration default in relation to the lease agreements to the extent that damages, if any, recovered from the relevant lessor are inadequate to cover the related costs of such member;

(iii) such member's failure to obtain the relevant building ownership certificates and/or other title certificates of any of the PRC Properties (including but not limited to relocation costs, operating losses, penalties and rental difference between new lease and the existing ones incurred or suffered by any member of our Group as a result of any disputes as to the member 's rights to lease and/or use any of the properties for its business operations);

(iv) (aa) any actual or potential litigation, claim, action, prosecution, arbitration, mediation, alternative dispute resolution or other similar proceedings and/or (bb) any dispute with any person(s) (including, without limitation, any governmental authority) relating to any of the events referred to in paragraphs (i) to (iii) above.

The indemnity given in connection with paragraphs (a) and (b) above and other non-compliance incidents provided in the Deed of Indemnity shall not apply to any costs and expenses associated with any of the claims for such non-compliances to the extent of any provision being made in the financial statements of the relevant member of our Group up to the Accounts Date.

The provisions contained in the Deed of Indemnity are conditional on the conditions stated in the paragraph headed "Structure and Conditions of the [REDACTED] — Conditions of the [REDACTED]" in this document being fulfiled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfiled or, to the extent permitted, waived on or before the date falling 30 days from the date of this document, or such later date as the parties under the Deed of Indemnity may agree, the Deed of Indemnity shall become null and void and cease to have effect.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or BVI is likely to fall on our Group.

4.2. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the [REDACTED] for the [REDACTED] of, and permission to [REDACTED] in, the Shares in issue and to be issued pursuant to the [REDACTED] and any Shares which may be issued upon the exercise of options under the Share Option Scheme and the [REDACTED].

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Our Company agreed to pay the Sole Sponsor a fee of approximately HK$[REDACTED] to act as the sole sponsor to our Company in relation to the [REDACTED].

4.3. Litigation

As at the Latest Practicable Date, save as disclosed in the paragraph headed "Business — Legal proceedings" of this document, no member of our Group engages in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial conditions of our Group.

4.4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$46,000 and are payable by our Company.

4.5. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this document, 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 [REDACTED] and the related transactions described in this document.

4.6. Agency fees or commissions received

Except as disclosed in the paragraph headed "[REDACTED] — [REDACTED] Arrangements and Expenses — Total Commission and Expenses" in this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital and/or debenture of any member of our Group within the two years immediately preceding the date of this document.

4.7. Qualification of experts

The qualifications of the experts who have given opinion and/or whose names are included in this document are as follows:

Name	Qualifications
Caitong International Capital Co., Limited	A corporation licenced under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Commerce & Finance Law Offices	Qualified PRC lawyers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan Limited	Independent industry consultants
Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited)	Certified public accountants, Hong Kong and Registered Public Interest Entity Auditor
Prism Hong Kong and Shanghai Limited	Tax adviser

4.8. Consents of experts

Each of the experts referred to in paragraph 4.7. under this appendix has given and has not withdrawn its consent to the issue of this document with the inclusion of its view(s) and/or report(s) and/or letter(s) and/or legal opinion(s) (as the case may be) and reference to its name included in the form and context in which it is respectively appears.

4.9. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

4.10. Taxation of holders of Shares

(a) Hong Kong

[REDACTED] in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.20% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from [REDACTED] in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

(c) Consultation with professional advisors

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or [REDACTED] in our Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or [REDACTED] in Shares or exercising any rights attaching to them.

4.11. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(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, save as disclosed in the section headed "History, Reorganisation and Group Structure" in this document;

(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 other than pursuant to the Share Option Scheme;

(iii) neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures;

(iv) no commission has been paid or payable (except commissions to the [REDACTED]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;

(v) 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; and

(vi) our Company has no outstanding convertible debt securities.

(b) Our principal register of members will be maintained by our principal registrar, [REDACTED], in the Cayman Islands and our Hong Kong register of members will be maintained by our [REDACTED] in Hong Kong, [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the [REDACTED] and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

(c) Our Directors confirm that up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2024 (being the date to which the latest audited consolidated financial statements of our Group were made up).

(d) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(e) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name by our Company in conjunction with our Company's English name does not contravene the Companies Act.

(f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

(g) There is no arrangement under which future dividends are waived and agreed to be waived.

4.12. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, the written consents referred to in paragraph 4.8. under "Appendix IV — Statutory and General Information" to this document, and certified copies of the material contracts referred to in paragraph 2.1. under "Appendix IV — Statutory and General Information" to this document.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available for display on the website of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.numans.cc** up to and including the date which is 14 days from the date of this document:

(a) our Memorandum of Association and Articles of Association;

(b) the Accountants' Report prepared by Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited), on the historical financial information of our Group for FY2021, FY2022, FY2023 and 6M2024, the text of which is set out in Appendix I to this document;

(c) the report on the unaudited [REDACTED] financial information of our Group prepared by Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited), the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Group for FY2021, FY2022 and FY2023 and 6M2024;

(e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the company law of the Cayman Islands referred to in Appendix III to this document;

(f) the Companies Act;

(g) the legal opinion prepared by Commerce & Finance Law Offices in respect of certain aspects of our Group and the property interests of our Group in the PRC and summary of PRC laws and regulations relating to our business;

(h) the industry research report prepared by Frost & Sullivan Limited;

(i) the material contracts referred to in paragraph 2.1. under "Appendix IV — Statutory and General Information" to this document;

(j) the written consents referred to in paragraph 4.8. under "Appendix IV — Statutory and General Information" to this document;

(k) the rules of the Share Option Scheme; and

(l) the service contracts and appointment letters referred to in paragraph 3.2. under "Appendix IV — Statutory and General Information" to this document.